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LEGISLATIVE HISTORY

Public Law 108--77th Congress

Chapter 190--1st Session

S. 1438

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DIGEST OF PUBLIC LAW 108

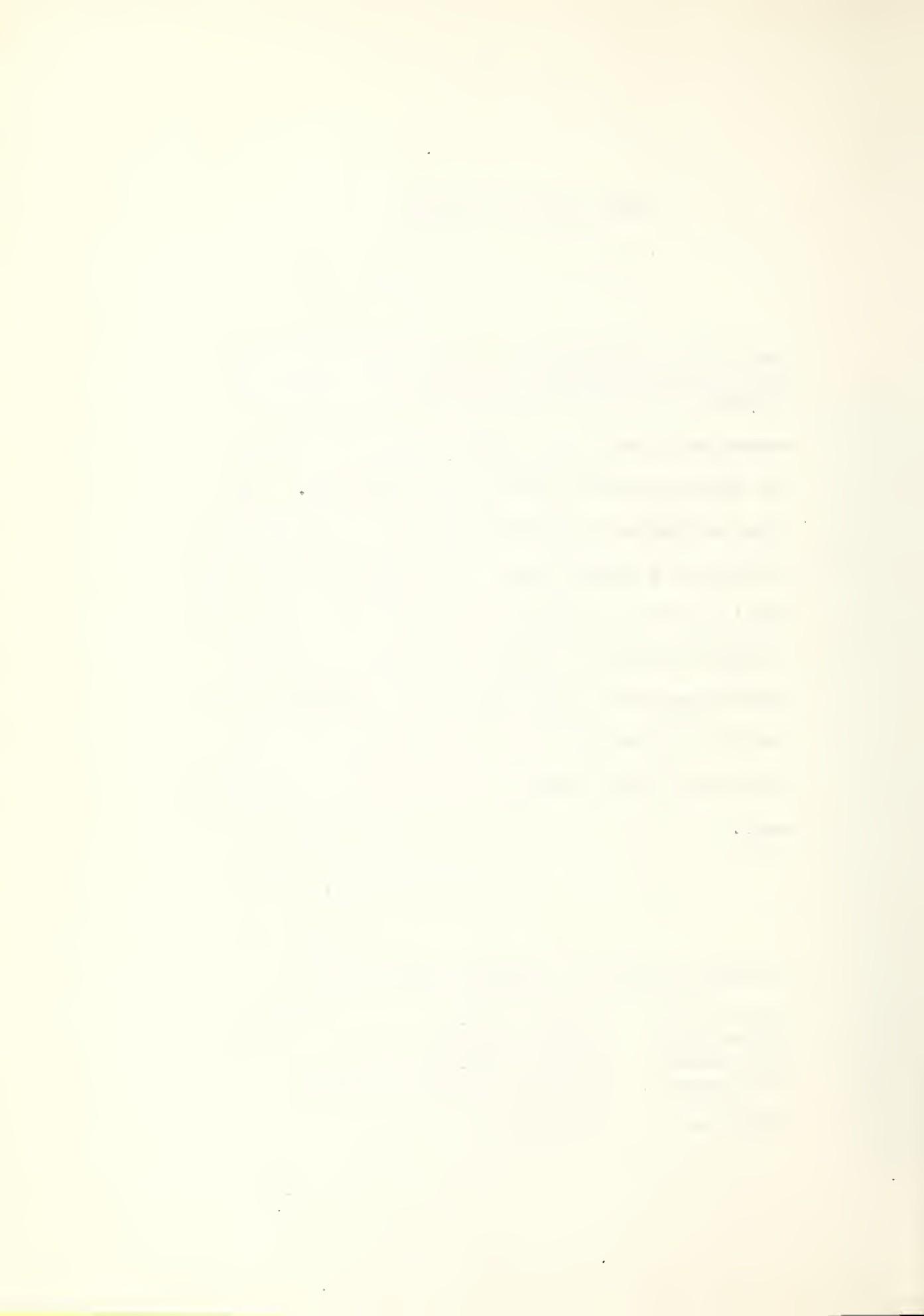
**CONTINUATION OF DISASTER LOAN CORPORATION AND ELECTRIC HOME AND FARM AUTHORITY; INCREASE IN LENDING POWER OF RECONSTRUCTION FINANCE CORPORATION.**

Extends the Disaster Loan Corporation and the Electric Home and Farm Authority until January 22, 1947. Authorizes an increase of \$1,500,000,000 in RFC obligations.

Authorizes the Federal Loan Administrator, with the President's approval, to organize corporations prior to July 1, 1943, with power to deal in strategic and critical materials and other equipment necessary to defense, but prohibits work on St. Lawrence seaway, Passamaquoddy, Florida ship canal, Tombigbee River project, or Nicaragua Canal.

For amendments see the following Public Laws:

72nd Congress	Public Law 2.
73d Congress	Public Law 417.
76th Congress	Public Law 2, and 792.
77th Congress	Public Law 506, 592 and 603.
78th Congress	Public Law 4.



INDEX AND SUMMARY OF HISTORY ON S. 1438

- May 1, 1941                   S. 1438 introduced and referred to the Senate Committee on Banking and Currency. Print of the bill as introduced.
- May 2, 1941                   H. R. 4620 introduced and referred to the House Committee on Banking and Currency. (Companion bill).
- May 7, 1941                   H. R. 4674 introduced and referred to House Committee on Banking and Currency. (Similar Bill).
- May 8, 1941                   H. R. 4674 reported without amendment. House Report 514. Print of the bill as reported.
- Wearings: Senate, S. 1438.
- May 15, 1941                   S. 1438 reported by Senate Committee on Banking and Currency with amendments. S. Rept. 292. Print of the bill as reported.
- May 16, 1941                   S. 1438 passed the Senate as reported.
- May 21, 1941                   Print of S. 1438 as ordered to be printed.
- May 22, 1941                   S. 1438 was referred to the House Committee on Banking and Currency. Print of the bill as referred. House Committee reported on S. 1438 with amendment. House Rept. 616. Action vacated on H. R. 5674 and S. 1438 offered in the nature of a substitute.
- May 23, 1941                   Print of S. 1438 as reported.
- May 27, 1941                   Resolution for consideration of S. 1438 (H. Res. 217) H. Rept. 641. Also House Rept. 616, Pt. 2, Supplemental Report.
- May 28, 1941                   Debated and passed the House (In lieu of H. R. 4674).
- June 2, 1941                   Senate disagrees to amendment and requests conference. Senate Conferencees appointed.
- June 3, 1941                   House Conferencees appointed. Conference Rept. submitted, in the House. H. Rept. 737.
- June 5, 1941                   House and Senate agreed to the Conference Report.
- June 10, 1941                   Approved. Public Law 108.

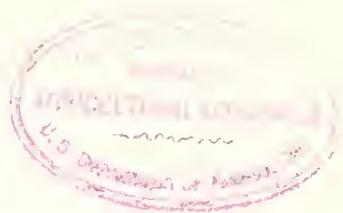






77<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

S. 1438



---

IN THE SENATE OF THE UNITED STATES

MAY 1, 1941

Mr. Brown introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

---

A BILL

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the Act approved February 11, 1937 (U. S. C., 1934  
4       edition, Supplement V, title 15, section 605k-1), as  
5       amended, is hereby amended by striking out "in the years  
6       1936, 1937, 1938, 1939, or 1940" and inserting in lieu  
7       thereof "occurring during the period between January 1,  
8       1936, and January 22, 1947".

9       SEC. 2. Section 1 of the Act approved March 31, 1936

1 (49 Stat. 1186), as amended, is hereby amended by strik-  
2 ing out "June 30, 1941" and inserting in lieu thereof "Jan-  
3 uary 22, 1947".

4 SEC. 3. Section 10 of the Reconstruction Finance Cor-  
5 poration Act, as amended, is hereby amended by adding at  
6 the end thereof the following new sentences: "The foregoing  
7 exemptions with respect to taxation (which shall, for all  
8 purposes, be deemed to include sales taxes and use taxes),  
9 whether now, heretofore, or hereafter imposed, levied, or  
10 assessed, and whether for a past, present, or future taxing  
11 period, are hereby extended to apply with respect to De-  
12 fense Homes Corporation, and shall be construed to be ap-  
13 plicable not only with respect to the Reconstruction Finance  
14 Corporation but also with respect to (1) the Defense Plant  
15 Corporation, the Defense Supplies Corporation, the Metals  
16 Reserve Company, the Rubber Reserve Company, and any  
17 other corporation heretofore or hereafter organized or created  
18 by the Reconstruction Finance Corporation to aid the Gov-  
19 ernment of the United States in its national-defense pro-  
20 gram, (2) The RFC Mortgage Company, the Federal Na-  
21 tional Mortgage Association, and any other public corpora-  
22 tion heretofore or hereafter organized by or at the instance  
23 of the Reconstruction Finance Corporation, (3) the Dis-  
24 aster Loan Corporation, and any other public corporation  
25 which is now or which may be hereafter wholly financed

1 and wholly managed by the Reconstruction Finance Cor-  
2 poration. The loans made, and personal property owned,  
3 by the Reconstruction Finance Corporation or by any such  
4 corporation shall be construed as included within such ex-  
5 emptions."

6 SEC. 4. (a) The fourth paragraph of section 5d of the  
7 Reconstruction Finance Corporation Act, as amended, is  
8 hereby amended by renumbering subsections "(2)" and  
9 "(3)" thereof as "(3)" and "(4)", respectively.

10 (b) Such paragraph is further amended by inserting  
11 after subsection (1) thereof the following new subsection:

12        "(2) When requested by the Federal Loan Ad-  
13 ministrator, with the approval of the President, and sub-  
14 ject to such conditions and limitations as may be set  
15 forth in such request, to make loans, notwithstanding the  
16 provisions of any other law, to any foreign governments,  
17 to their central banks, or to any person, commission,  
18 association, corporation, or bank acting for or on behalf  
19 of such government. Such loans may be made only  
20 upon the security of bonds, debentures, stocks or other  
21 such obligations of (a) the Government of the United  
22 States or any State, municipality, or political subdivision  
23 of any State, or (b) any private corporation organized  
24 under the laws of the United States or any State;".

25 (c) Subsection (4) of such paragraph (as herein re-

1 numbered) is hereby amended by inserting before the word  
2 "power" where it first appears therein the following: "such  
3 powers as they may deem necessary in order to expedite the  
4 defense program, including, but not limited to,".

5 SEC. 5. The amount of notes, bonds, debentures, and  
6 other such obligations which the Reconstruction Finance Cor-  
7 poration is authorized to issue and have outstanding at any  
8 one time under existing law is hereby increased by  
9 \$1,500,000,000.



## A BILL

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

By Mr. Brown

May 1, 1941

Read twice and referred to the Committee on Banking and Currency





77<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 4620

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 2, 1941

Mr. STEAGALL introduced the following bill; which was referred to the Committee on Banking and Currency

---

## A BILL

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the Act approved February 11, 1937 (U. S. C., 1934  
4       edition, Supplement V, title 15, sec. 605k-1), as amended,  
5       is hereby amended by striking out "in the years 1936, 1937,  
6       1938, 1939, or 1940" and inserting in lieu thereof "occurring  
7       during the period between January 1, 1936, and January  
8       22, 1947".

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1 (49 Stat. 1186), as amended, is hereby amended by striking  
2 out "June 30, 1941" and inserting in lieu thereof "January  
3 22, 1947".

4 SEC. 3. Section 10 of the Reconstruction Finance Cor-  
5 poration Act, as amended, is hereby amended by adding at  
6 the end thereof the following new sentences: "The foregoing  
7 exemptions with respect to taxation (which shall, for all  
8 purposes, be deemed to include sales taxes and use taxes),  
9 whether now, heretofore, or hereafter imposed, levied, or  
10 assessed, and whether for a past, present, or future taxing  
11 period, are hereby extended to apply with respect to Defense  
12 Homes Corporation, and shall be construed to be applicable  
13 not only with respect to the Reconstruction Finance Corpo-  
14 ration but also with respect to (1) the Defense Plant Cor-  
15 poration, the Defense Supplies Corporation, the Metals Re-  
16 serve Company, the Rubber Reserve Company, and any  
17 other corporation heretofore or hereafter organized or created  
18 by the Reconstruction Finance Corporation to aid the Gov-  
19 ernment of the United States in its national-defense pro-  
20 gram, (2) The RFC Mortgage Company, the Federal  
21 National Mortgage Association, and any other public corpo-  
22 ration heretofore or hereafter organized by or at the instance  
23 of the Reconstruction Finance Corporation, (3) the Dis-  
24 aster Loan Corporation, and any other public corporation  
25 which is now or which may be hereafter wholly financed

1 and wholly managed by the Reconstruction Finance Corpora-  
2 tion. The loans made, and personal property owned, by  
3 the Reconstruction Finance Corporation or by any such  
4 corporation shall be construed as included within such  
5 exemptions."

6 SEC. 4. (a) The fourth paragraph of section 5d of the  
7 Reconstruction Finance Corporation Act, as amended, is  
8 hereby amended by renumbering subsections "(2)" and  
9 "(3)" thereof as "(3)" and "(4)", respectively.

10 (b) Such paragraph is further amended by inserting  
11 after subsection (1) thereof the following new subsection:

12 "(2) When requested by the Federal Loan Adminis-  
13 trator, with the approval of the President, and subject to  
14 such conditions and limitations as may be set forth in such  
15 request, to make loans, notwithstanding the provisions of  
16 any other law, to any foreign governments, to their central  
17 banks, or to any person, commission, association, corporation,  
18 or bank acting for or on behalf of such government. Such  
19 loans may be made only upon the security of bonds, de-  
20 bentures, stocks, or other such obligations of (a) the Gov-  
21 ernment of the United States or any State, municipality, or  
22 political subdivision of any State, or (b) any private cor-  
23 poration organized under the laws of the United States or  
24 any State;".

25 (c) Subsection (4) of such paragraph (as herein re-

1 numbered) is hereby amended by inserting before the word  
2 "power" where it first appears therein the following: "such  
3 powers as they may deem necessary in order to expedite the  
4 defense program, including, but not limited to,".

5 SEC. 5. The amount of notes, bonds, debentures, and  
6 other such obligations which the Reconstruction Finance Cor-  
7 poration is authorized to issue and have outstanding at any  
8 one time under existing law is hereby increased by  
9 \$1,500,000,000.







# H. R. 4620

## A BILL

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

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By Mr. STREGALL

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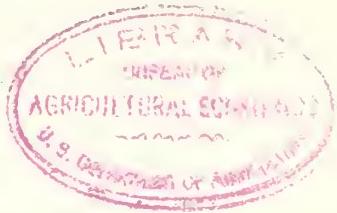
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MAY 2, 1941

Referred to the Committee on Banking and Currency







77TH CONGRESS  
1ST SESSION

**H. R. 4674**

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IN THE HOUSE OF REPRESENTATIVES

MAY 7, 1941

Mr. STEAGALL introduced the following bill; which was referred to the Committee on Banking and Currency

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**A BILL**

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the Act approved February 11, 1937 (U. S. C., 1934  
4       edition, Supplement V, title 15, sec. 605k-1), as amended,  
5       is hereby amended by striking out "in the years 1936, 1937,  
6       1938, 1939, or 1940" and inserting in lieu thereof "occurring  
7       during the period between January 1, 1936, and January  
8       22, 1947".

9       SEC. 2. Section 1 of the Act approved March 31, 1936

1 (49 Stat. 1186), as amended, is hereby amended by striking  
2 out "June 30, 1941" and inserting in lieu thereof "January  
3 22, 1947".

4 SEC. 3. Section 10 of the Reconstruction Finance Cor-  
5 poration Act, as amended, is hereby amended by adding at  
6 the end thereof the following new sentences: "The foregoing  
7 exemptions with respect to taxation (which shall, for all  
8 purposes, be deemed to include sales taxes and use taxes),  
9 whether now, heretofore, or hereafter imposed, levied, or  
10 assessed, and whether for a past, present, or future taxing  
11 period, are hereby extended to apply with respect to Defense  
12 Homes Corporation, and shall be construed to be applicable  
13 not only with respect to the Reconstruction Finance Corpo-  
14 ration but also with respect to (1) the Defense Plant Cor-  
15 poration, the Defense Supplies Corporation, the Metals Re-  
16 serve Company, the Rubber Reserve Company, and any  
17 other corporation heretofore or hereafter organized or created  
18 by the Reconstruction Finance Corporation to aid the Gov-  
19 ernment of the United States in its national-defense pro-  
20 gram, (2) The RFC Mortgage Company, the Federal  
21 National Mortgage Association, and any other public corpo-  
22 ration heretofore or hereafter organized by or at the instance  
23 of the Reconstruction Finance Corporation, (3) the Dis-  
24 aster Loan Corporation, and any other public corporation  
25 which is now or which may be hereafter wholly financed

1 and wholly managed by the Reconstruction Finance Corpora-  
2 tion. The loans made, and personal property owned, by  
3 the Reconstruction Finance Corporation or by any such  
4 corporation shall be construed as included within such  
5 exemptions."

6 SEC. 4. (a) The fourth paragraph of section 5d of the  
7 Reconstruction Finance Corporation Act, as amended, is  
8 hereby amended by renumbering subsections "(2)" and  
9 "(3)" thereof as "(3)" and "(4)", respectively.

10 (b) Such paragraph is further amended by inserting  
11 after subsection (1) thereof the following new subsection:

12 "(2) When requested by the Federal Loan Adminis-  
13 trator, with the approval of the President, and subject to  
14 such conditions and limitations as may be set forth in such  
15 request, to make loans, notwithstanding the provisions of  
16 any other law, to any foreign governments, to their central  
17 banks, or to any person, commission, association, corporation,  
18 or bank acting for or on behalf of such government. Such  
19 loans may be made only upon the security of bonds, de-  
20 bentures, stocks, or other such obligations of (a) the Gov-  
21 ernment of the United States or any State, municipality, or  
22 political subdivision of any State, or (b) any private cor-  
23 poration organized under the laws of the United States or  
24 any State;".

25 (c) Subsection (4) of such paragraph (as herein re-

1 numbered) is hereby amended by inserting after the word  
2 "organize" where it first appears therein the following:  
3 ", at any time prior to July 1, 1943," and by inserting before  
4 the word "power" where it first appears therein the follow-  
5 ing: "such powers as they may deem necessary in order to  
6 expedite the defense program, including, but not limited to,".

7 SEC. 5. The amount of notes, bonds, debentures, and  
8 other such obligations which the Reconstruction Finance Cor-  
9 poration is authorized to issue and have outstanding at any  
10 one time under existing law is hereby increased by  
11 \$1,500,000,000.







## A BILL

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

---

By Mr. STEAGALL.

---

MAY 7, 1941

Referred to the Committee on Banking and Currency





Authority of the Disaster Loan Corporation, Electric  
Home and Farm Authority, and Reconstruction Finance  
Corporation

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HEARING  
BEFORE THE  
COMMITTEE ON BANKING AND CURRENCY  
UNITED STATES SENATE  
SEVENTY-SEVENTH CONGRESS  
FIRST SESSION  
ON  
**S. 1438**

A BILL TO EXTEND THE OPERATIONS OF THE DISASTER  
LOAN CORPORATION AND THE ELECTRIC HOME AND  
FARM AUTHORITY, TO PROVIDE FOR INCREASING  
THE LENDING AUTHORITY OF THE RECON-  
STRUCTION FINANCE CORPORATION,  
AND FOR OTHER PURPOSES

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MAY 8, 1941

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Printed for the use of the Committee on Banking and Currency



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1941

## COMMITTEE ON BANKING AND CURRENCY

ROBERT F. WAGNER, New York, *Chairman*

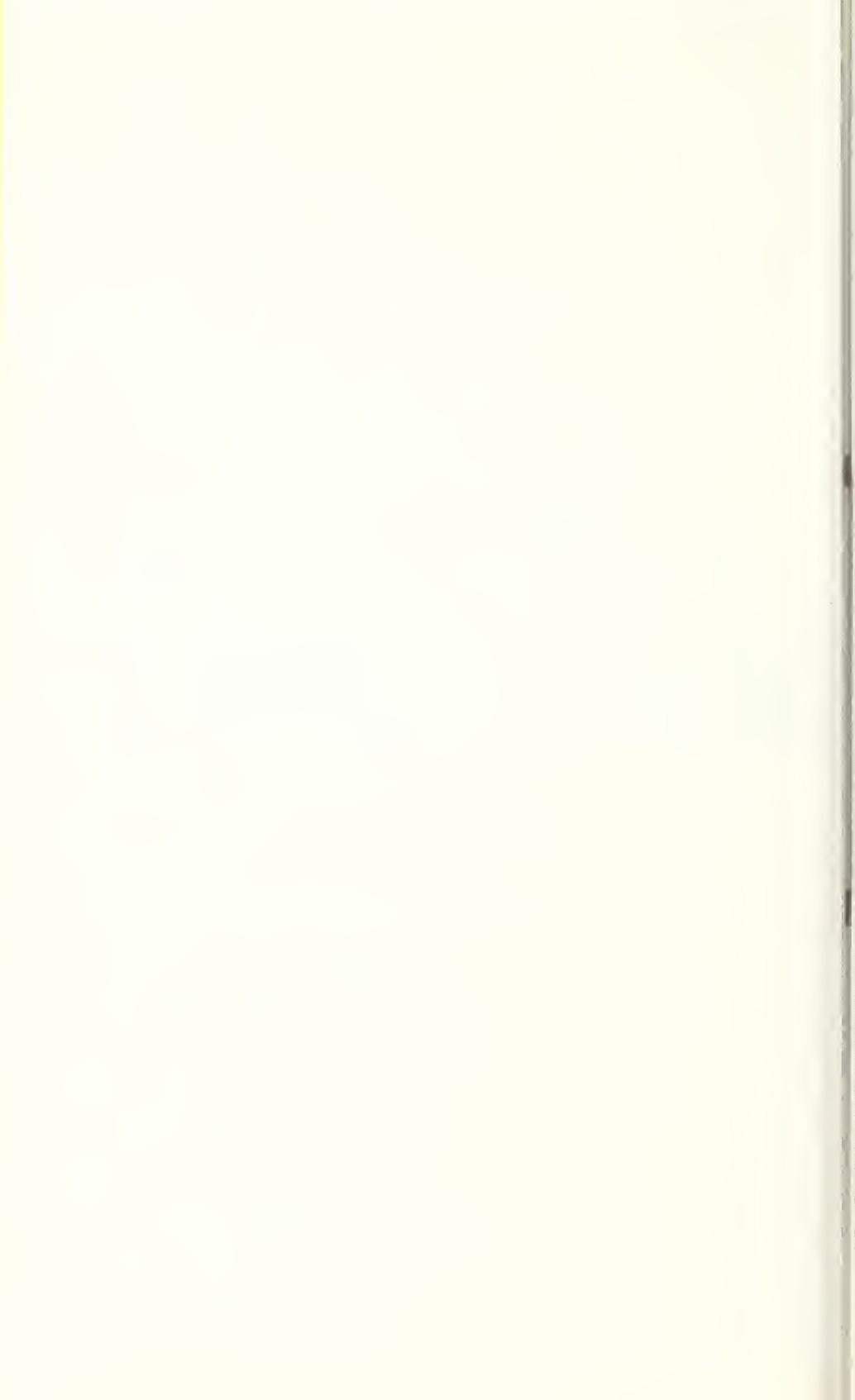
CARTER GLASS, Virginia	CHARLES W. TOBEY, New Hampshire.
ALBEN W. BARKLEY, Kentucky.	JOHN A. DANAHER, Connecticut.
JAMES F. BYRNES, South Carolina.	ROBERT A. TAFT, Ohio.
JOHN H. BANKHEAD, Alabama.	JOHN THOMAS, Idaho.
ALVA B. ADAMS, Colorado.	JOSEPH H. BALL, Minnesota.
FRANCIS MALONEY, Connecticut.	
GEORGE L. RADCLIFFE, Maryland.	
PRENTISS M. BROWN, Michigan.	
JAMES H. HUGHES, Delaware.	
CLYDE L. HERRING, Iowa.	
WILLIAM H. SMATHERS, New Jersey.	
D. WORTH CLARK, Idaho.	
SHERIDAN DOWNEY, California.	

PHILIP LEVY, *Clerk*

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# AUTHORITY OF THE DISASTER LOAN CORPORATION, ELECTRIC HOME AND FARM AUTHORITY, AND RECON- STRUCTION FINANCE CORPORATION

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THURSDAY, MAY 8, 1941

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committee met at 10:30 a. m., pursuant to call, in room 301, Senate Office Building, Senator Carter Glass presiding.

Present: Senators Glass (presiding), Byrnes, Bankhead, Adams, Maloney, Brown, Hughes, Herring, Tobey, Danaher, and Taft.

Senator GLASS. The committee will come to order. We have under consideration S.1438, which will be made a part of the record.

(The bill is as follows:)

[S. 1438, 77th Cong., 1st sess.]

A BILL To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Act approved February 11, 1937 (U. S. C., 1934 edition, Supplement V, title 15, section 605k-1), as amended, is hereby amended by striking out "in the years 1936, 1937, 1938, 1939, or 1940" and inserting in lieu thereof "occurring during the period between January 1, 1936, and January 22, 1947".

SEC. 2. Section 1 of the Act approved March 31, 1936 (49 Stat. 1186), as amended, is hereby amended by striking out "June 30, 1941" and inserting in lieu thereof "January 22, 1947".

SEC. 3. Section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by adding at the end thereof the following new sentences: "The foregoing exemptions with respect to taxation (which shall, for all purposes, be deemed to include sales taxes and use taxes), whether now, heretofore, or hereafter imposed, levied, or assessed, and whether for a past, present, or future taxing period, are hereby extended to apply with respect to Defense Homes Corporation, and shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation to aid the Government of the United States in its national-defense program. (2) The RFC Mortgage Company, the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. The loans made, and personal property owned, by the Reconstruction Finance Corporation or by any such corporation shall be construed as included within such exemptions."

SEC. 4. (a) The fourth paragraph of section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by renumbering subsections "(2)" and "(3)" thereof as "(3)" and "(4)", respectively.

(b) Such paragraph is further amended by inserting after subsection (1) thereof the following new subsection:

"(2) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their ventral banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government. Such loans may be made only upon the security bonds, debentures, stocks or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State;". (e) Subsection (4) of such paragraph (as herein renumbered) is hereby amended by inserting before the word "power" where it first appears therein the following: "such powers as they may deem necessary in order to expedite the defense program, including, but not limited to,".

SEC. 5. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased by \$1,500,000,000.

Senator GLASS. Mr. Jones, we should like to have an explanation of the bill from you.

#### STATEMENT OF JESSE H. JONES, FEDERAL LOAN ADMINISTRATOR, WASHINGTON, D. C.

Mr. JONES. Under existing law the Disaster Loan Corporation has succession until dissolved by Congress, but it is not authorized to make loans in conjunction with catastrophes occurring after the year 1940. Section 1 of the bill would authorize loans in conjunction with a catastrophe occurring prior to January 22, 1947, coextensive with the succession of the R. F. C. That is merely extending the lending authority of the Disaster Loan Corporation.

I will be glad to insert in the record a memorandum of the activities of the Disaster Loan Corporation. It has been very satisfactory.

You will recall the cyclone that destroyed timber in New England a couple of years ago. We made loans in connection with salvaging that timber, to the aggregate amount of \$14,026,650. We have had repayments of \$1,491,000 from the sale of logs and lumber, and will probably collect all of the money from the sale of manufactured lumber.

*Statement of condition as of the close of business Apr. 30, 1941, of the Disaster Loan Corporation*

##### ASSETS

Cash—General account	\$1,000.00
Cash on deposit with Reconstruction Finance Corporation	3,130,298.34
Loans	19,120,762.33
Checks held by agents—loans in process of closing	950.00
Notes receivable	35,253.28
Reimbursable expense	25,691.34
Advances for care and preservation of collateral	14,038.43
Property acquired in foreclosures and settlements	131,486.79
Accrued interest receivable	128,924.14
Furniture and fixtures (less depreciation)	4,545.48
Other assets	774.96
Total	22,593,725.09

*Statement of condition as of the close of business Apr. 30, 1941, of the Disaster Loan Corporation—Continued*

## LIABILITIES AND CAPITAL

Cash receipts not allocated pending advices	\$28,131.08
Deferred credits	28,516.97
Capital stock	\$24,000,000.00
Expense less income	1,462,922.96
	<u>22,537,077.04</u>
Total	<u>22,593,725.09</u>

## MEMORANDUM

Undisbursed authorizations to make loans	494,317.05
Undisbursed authorizations for advances for care and preservation of collateral	6,191.33
Total	500,508.38

*Loan authorizations during the period Feb. 15, 1937, to Apr. 30, 1941, inclusive*

	Number	Amount
Authorized	23,664	\$31,464,598.31
Canceled	2,817	3,404,499.84
Undisbursed	68	494,317.05
Disbursed	20,779	27,565,781.42
Repaid	5,306	8,237,234.11
Other reductions	219	207,784.98
Outstanding	15,254	19,120,762.33

<sup>1</sup> Includes \$14,398,650 to the Federal Surplus Commodities Corporation of which \$14,026,650 has been disbursed. In addition the Corporation has approved timber loans to the Federal Surplus Commodities Corporation in an amount dependent upon the value of the collateral, the carrying charges, and the care and preservation of the securities.

Senator TOBEY. It has been beautifully handled.

Mr. JONES. I do not believe we will have any loss. We have disbursed for rehabilitation purposes \$13,544,000, and have had repayments of principal of \$6,750,000, or approximately one-half. Interest paid by the Federal Surplus Commodities Corporation totals \$684,000, and on rehabilitation loans, \$618,000. We loaned that money at 3 percent. The smallest loan we have made was \$15 and the largest one was \$350,000.

We think we will collect a large part of the remaining \$6,700,000 advanced for rehabilitation purposes. The borrowers are usually permitted to name the time and terms for repaying the loans, and we find that they are trustworthy and pretty punctual about it.

That summarizes the story of disaster loans, and I presume there will be no objection to extending the life of that Corporation.

Senator BROWN. As I understand it the life of the lending authority has already about expired.

Mr. JONES. Yes. We could not make a loan on a disaster that might occur tomorrow. If you gentlemen will think back you will recall that before the Disaster Loan Corporation was created at your direction in 1937 whenever there was a disaster, flood, storm, or something of the kind, you immediately began to get telegrams and calls, but I do not think you get many now because we are on the job the next day with agents to do whatever is to be done. It has been a very effective and helpful operation.

Senator ADAMS. What is the limit of your lending capacity?

Mr. JONES. Well, Congress fixes that. The capital stock authorized by the act approved February 11, 1937, as amended, was \$40,000,000. That is the limit that we can go.

Senator GLASS. You may proceed.

Mr. JONES. Section 2 of the bill would extend the life of the Electric Home and Farm Authority from June 30, 1941, to January 22, 1947, coextensive with the succession of the R. F. C. Mr. Schram has been operating the Electric Home and Farm Authority. I will ask him to tell you about it.

Mr. SCHRAM. The Electric Home and Farm Authority has a capital of \$850,000, and to date we have purchased approximately \$40,000,000 of installment finance paper. That has been mostly in the smaller communities. We have contracts with over 5,000 dealers, and we think this is one activity that has been very helpful to the smaller units of business, assisting them in their installment selling by furnishing arrangements for discounting paper. The Authority has been very beneficial in rural areas where we have cooperated with the R. E. A. program in financing electrical and gas equipment.

We have earned a surplus of \$701,000. We have a reserve for losses of about \$329,000. We have had to charge off actual losses up to the present time of only \$40,000. It has been a successful operation, financially, as well as socially, speaking.

I should like to call attention to the fact that while this is an installment finance business, we do business in areas where the larger companies will not go. They just do not want to bother with this type of financing in the smaller communities. It is too expensive.

Senator TAFT. What companies do not want to go into the smaller areas? Are they the finance companies?

Mr. SCHRAM. Yes; they are the finance companies who usually work in this field of finance.

Senator TAFT. Do you buy and sell electric supplies?

Mr. SCHRAM. We do not. We buy only the paper. We buy the paper from the dealer who sells appliances. We do not sell the appliances, except those we are forced to repossess, and even then we usually place them in the hands of a dealer and he resells them.

Senator TAFT. What are those types of appliances?

Mr. SCHRAM. Refrigerators, stoves, various cooking devices, and cooling units.

Senator BROWN. Then I take it you are something of a factor in pulling down the rather high rates being charged by finance companies?

Mr. SCHRAM. Yes.

Senator ADAMS. Are you making loans to individual purchasers of refrigerators, or are you making loans to the merchant by way of buying his paper?

Mr. SCHRAM. We make loans through the merchant, by buying his paper?

Senator ADAMS. So he fixes the rate of interest?

Mr. SCHRAM. No; we fix the rate. We have set the rate at which he can take the contract. We buy that contract from the dealer. The dealer is obligated on the contract.

Mr. JONES. How do you service these loans?

Mr. SCHRAM. Through the dealers themselves. The customer is billed with his utility bill the first of the month—a set amount each

month. He pays it when he pays his utility bill. We pay the utility company for making the collection for us. The dealers like the arrangement very well because it keeps them in pretty close touch with their customers. We have quite a number of contracts with private as well as with municipal utilities.

Senator TAFT. Do not a good many of the utilities finance their own sales?

Mr. SCHRAM. Yes.

Senator TAFT. Why should not all of them do it?

Mr. SCHRAM. Many of them do not have the necessary capital, and they prefer to let an outside company do it—one that is experienced in that end of the business—rather than to set up such a business of their own.

Senator TAFT. Frankly I do not see the slightest reason for the Government to be in that business. What is the reason for the Government being in the business at all, rather than a bank; or in any other business the Government may want to go into?

Mr. SCHRAM. We have been very helpful in this matter.

Senator TAFT. The Government may always be helpful, but why should the Government be engaged in private business?

Mr. SCHRAM. Well, I agree on that. I am not a believer in the Government being in business. I am firm in that conviction. But I think that in this case the people in smaller communities would be denied the opportunity of buying equipment except upon payment of exorbitant charges.

Senator TAFT. How many States do you operate it, Mr. Jones, or Mr. Schram?

Mr. SCHRAM. We operate in 37 States, I believe.

Senator TAFT. How much paper do you buy each year?

Mr. SCHRAM. We have purchased to date about \$40,000,000, and the yearly volume is about \$17,000,000. It is not a big business, but it has been very effectual in controlling rates, holding down interest rates and charges that the finance companies would otherwise set in the smaller communities where business is thin.

Senator DANAHER. What is the standard by which you decide what States you will go into?

Mr. SCHRAM. We will go into any State where there is a demand for the program. The utilities like it because it increases electricity sales by getting more appliances into use. When a utility comes to us and wants a contract we will make a contract with it.

Senator DANAHER. For example, there are some 10 or 11 States that you do not operate in at all. What is the reason for that?

Mr. SCHRAM. Well, we have had no demand from people in those States for the service. That is usually in the highly populated areas. I do not think we have any contracts in New York State; or, if we have, they are only in a few rural areas. In thickly populated areas this type of business is profitable and so we do not operate there.

I might say that I think we pulled out of Connecticut because the local banks wanted to take over the paper, and we sold our entire portfolio and withdrew from that particular field. That was because they were willing to do business on the same basis we were.

Senator BYRNES. Did you say that you operated in rural areas because private individuals and companies would not?

Mr. SCHRAM. Yes; that is true.

Senator BYRNES. Suppose you did not operate there. What would be the situation?

Mr. SCHRAM. Well, there would be a return, I presume, to pretty high rates; not, of course, in all cases.

Senator ADAMS. You do not restrict your operations but go wherever there is a request for you to operate; is that it?

Mr. SCHRAM. Yes. We have some unprofitable operations, too, because business is pretty thin in some areas, but on the whole the program, while it does not make a lot of money, does carry itself, and we do think we have been most effective in getting rates down to a proper basis.

Senator DANAHER. Are your interest rates standard?

Mr. SCHRAM. Yes.

Senator DANAHER. What is the prevailing rate?

Mr. SCHRAM. Five percent is the discount rate.

Senator TAFT. Have you any classification of the people from whom you buy paper, for instance, how much from banks and how much from dealers and how much from utilities?

Mr. SCHRAM. We do not buy from banks, only from dealers.

Senator TAFT. And from utilities, too, you stated?

Mr. SCHRAM. Some of the utilities do sell appliances; but the utilities, or at least most of them, have been trying to get out of the appliance business, and depend upon dealers. Practically all of our contracts are purchased from small dealers who are in the appliance business.

Senator TAFT. Would you be able to say how big a proportion of the total business of this kind is done now by the Electric Home Authority throughout the United States?

Mr. SCHRAM. Do you mean of the total volume?

Senator TAFT. Yes.

Mr. SCHRAM. I do not know that I have that figure. You will find it to be a rather small percentage.

Senator TAFT. Would you guess 5 percent or something like that?

Mr. SCHRAM. I would not want to guess. I do not have a basis even for a guess.

Senator DANAHER. Do you have a break-down by States of the business done?

Mr. SCHRAM. Yes. Here it is, Senator Danaher.

Senator DANAHER. Thank you. May we have this copy to be included in the record?

Mr. SCHRAM. Certainly. That gives a rather complete résumé of the whole program.

(The statement furnished by Mr. Schram is as follows:)

*Electric Home and Farm Authority installment contracts receivable, appliances and wiring, Mar. 31, 1941*

States	Contracts purchased		Collections and other credits		Outstanding balance	
	Number	Amount	Number	Amount	Number	Amount
Alabama-----	6,149	\$888,528.45	3,259	\$632,816.04	2,890	\$255,712.41
California-----	48,940	7,421,724.64	21,971	5,213,983.81	26,969	2,207,740.83
Colorado-----	203	29,914.97	38	12,766.56	165	17,148.41
Connecticut-----	5,240	751,710.71	5,210	751,710.71		
Florida-----	9,691	1,907,337.38	3,599	1,146,373.35	6,092	760,964.03
Georgia-----	26,120	3,825,240.35	15,422	2,922,069.20	10,698	903,171.15

*Electric Home and Farm Authority installment contracts receivable, appliances and wiring, Mar. 31, 1941—Continued*

States	Contracts purchased		Collections and other credits		Outstanding balance	
	Number	Amount	Number	Amount	Number	Amount
Idaho.....	80	\$9,060.72	5	\$2,471.13	75	\$6,589.59
Illinois.....	26,323	3,091,362.70	9,714	1,885,284.73	16,609	1,206,077.97
Indiana.....	19,082	2,661,915.39	7,604	1,593,169.26	11,478	1,068,746.13
Iowa.....	6,335	828,965.52	2,294	500,162.71	4,041	328,802.81
Kansas.....	3,165	465,124.88	1,837	352,503.63	1,328	112,621.25
Kentucky.....	238	37,100.04	25	16,690.95	213	20,409.09
Louisiana.....	1	120.96	1	120.96		
Michigan.....	1,907	239,153.21	1,170	186,294.96	737	52,858.25
Minnesota.....	20,386	2,766,361.77	9,184	1,879,924.37	11,202	886,437.40
Mississippi.....	10,874	1,647,479.04	6,718	1,293,395.44	4,156	354,083.60
Missouri.....	1,515	176,419.05	484	96,541.29	1,031	79,877.76
Montana.....	92	13,357.86	12	4,960.88	80	8,396.98
Nebraska.....	1,696	201,099.59	679	121,028.46	1,017	80,071.13
North Carolina.....	4,615	689,072.69	1,834	462,330.85	2,781	226,741.84
North Dakota.....	1,336	190,242.23	559	122,695.59	777	67,546.64
Ohio.....	1,547	201,352.59	556	114,683.99	991	86,668.60
Oklahoma.....	104	21,119.22	24	10,497.17	80	10,622.05
Oregon.....	17,573	2,667,372.27	5,058	1,409,935.34	12,515	1,257,436.93
Pennsylvania.....	202	24,730.04	93	15,709.21	109	9,020.83
South Carolina.....	1,539	232,611.85	470	139,944.02	1,069	92,667.83
South Dakota.....	2,314	337,764.94	812	199,791.73	1,502	137,973.21
Tennessee.....	46,404	5,708,118.63	22,824	3,565,310.79	23,580	2,142,807.84
Texas.....	4,391	625,097.09	345	170,417.56	4,046	454,679.53
Virginia.....	4,876	670,016.58	375	191,113.31	4,501	478,933.27
Washington.....	7,220	1,062,411.22	1,451	444,426.18	5,769	617,985.04
West Virginia.....	5	887.00		33.02	5	853.98
Wisconsin.....	3,681	492,035.71	1,979	367,516.39	1,702	124,519.32
Wyoming.....	92	17,744.78	12	8,313.87	80	9,430.91
Total.....	283,936	39,902,584.07	125,648	25,834,987.46	158,288	14,067,596.61

Senator BANKHEAD. You do not carry any stocks of refrigerators in warehouses, do you?

Mr. SCHRAM. No. We have only those taken in in connection with defaults.

Senator BANKHEAD. I meant for original sales.

Mr. SCHRAM. Absolutely none.

Senator BANKHEAD. You just take the paper?

Mr. SCHRAM. That is right.

Senator ADAMS. Does the R. E. A. make any sales of equipment of that kind?

Mr. SCHRAM. I am not sure that they do not. I am inclined to think that the local cooperatives sell appliances themselves—I am referring to cooperatives to whom the R. E. A. has loaned money. I think some of them do sell appliances.

Senator DANAHER. Apparently the most of these are paying out in less than 2½ years.

Mr. SCHRAM. Yes. I think the average contract is a little less than 2½ years. It is about 27 months, I am told.

Senator DANAHER. Are those which are deferred considered pretty good payers?

Mr. SCHRAM. Oh, yes.

Senator DANAHER. They are paying out pretty well?

Mr. SCHRAM. Yes, sir; they are. Our credit experience has been unusually good.

Senator DANAHER. Do you have in mind the percentage you have set aside for possible losses?

Mr. SCHRAM. Oh, yes.

Senator DANAHER. What does it come to?

Mr. SCHRAM. We have set aside now a total of \$288,000. I think that is at the rate of 2 percent on the balance outstanding for probable losses.

Senator TOBEY. I understood you to say you had only charged off \$40,000.

Mr. SCHRAM. That amount represents the actual losses. That is out of a total volume of \$40,000,000.

Mr. JONES. How many loans have you made?

Mr. SCHRAM. That is shown on the sheet that Senator Danaher has. The total number of contracts purchased is 283,936.

Senator DANAHER. Yes; I see that exact number on the statement you handed to me.

Mr. JONES. And the average is how much? It is a little over \$125; is it not?

Mr. SCHRAM. It is a little over \$150, I believe.

Senator GLASS. You may proceed, Mr. Jones.

Mr. JONES. Section 3 makes it certain that the R. F. C. and its related corporations are not obliged to pay local taxes on personal property, including the strategic materials we are buying and accumulating in the defense program. That figure would run into a good deal of money. Because some States are disposed to tax and others are not, we thought we should ask that the law be definite.

Senator ADAMS. As I understand the situation the title to these materials vests in the various corporations and not in the R. F. C.?

Mr. JONES. That is correct. For instance, as to rubber the title is in the Rubber Reserve Company, and as to metals the title is in the Metals Reserve Company, and so on as to other corporations.

Senator ADAMS. If the property belongs to the United States and these corporations are the same as the United States they would not be taxable, anyhow. On the other hand, if they are taxable, of course we could not take the taxing power away from the States. But, as I have said, if the property belongs to the United States then it is not taxable, anyhow.

Mr. JONES. I am reminded that we have had a good deal of litigation about it and, while we have won all the cases, yet we thought probably we would not have any such litigation if we had this specifically set out in the law.

Senator ADAMS. What is the nature of the litigation you have been having?

Mr. HAMILTON. An effort by the States to collect personal-property taxes.

Senator ADAMS. Did you bring the suits?

Mr. HAMILTON. No, sir. Cases have arisen where a State has tried to levy a tax and we have resisted it. Right now there are at least two States which are attempting to subject rubber to State taxation—rubber we have been bringing in.

Senator BANKHEAD. Still the rubber belongs to the United States Government?

Mr. HAMILTON. Yes, sir; it belongs to the Rubber Reserve Company. I might say that the language proposed in the bill is nothing more than an affirmation of the original intention of the Congress when the R. F. C. Act was passed. There the Congress made any real property held by the R. F. C. subject to local taxation. So we took it you meant to exempt personal property from taxation.

Senator BANKHEAD. What we are doing by legislation is affirming what is provided by the Constitution.

Mr. HAMILTON. So that we will not have to argue with local courts as to what the law provides.

Senator BANKHEAD. It is the inference that if the United States Government owns the property then it is not subject to State taxation, but unless it is covered there may be a question about its being taxable; is that it?

Mr. HAMILTON. Some courts take the position that the R. F. C. is not the Government.

Senator BANKHEAD. Well, they do not know.

Mr. HAMILTON. We would like to have you say so again.

Senator TOBEY. The Constitution is what the courts say it is.

Senator TAFT. This tax business does not give recognition to existing law. We have just made some changes. Do you not think this whole section should be rewritten in the light of the new tax policy of the Treasury?

Mr. JONES. We do not think so. We do not think it has any bearing on that; that is, that the new tax policy has any bearing on this.

Senator TAFT. It has a very distinct bearing because these bonds are now subject to taxation in the matter of normal taxes.

Mr. JONES. We are not talking about bonds, about rubber and manganese and other things.

Senator TAFT. Are you going to exempt all personal property of the defense-plant corporation from local taxation? Suppose they put refrigerators in homes? No; that is the Defense Homes Corporation. What is the Defense Homes Corporation?

Mr. JONES. The Defense Homes Corporation builds houses.

Senator TAFT. Then you put refrigerators in houses.

Mr. JONES. If a refrigerator becomes a part of the home, it would be taxed, I suppose.

Senator TAFT. Mr. Carmody will if he has a chance. I do not know why the Home Farm Authority should not do it. And you may have to do it if you are building defense homes.

Mr. JONES. I have no disposition to argue it with you, Senator Taft. You may argue it out with the lawyers.

Senator TAFT. This seems to me to be a much wider exemption than exists today, and does not even notice the fact that the act has been substantially amended by the recent law.

Mr. HAMILTON. The very question that Senator Taft raises the Treasury raised with us yesterday, and they have suggested a change which is certainly desirable. Where it is said in the proposed new language: "The foregoing exemptions with respect to taxation"—meaning exemptions included within the foregoing sentence, it should be apparent there was no intention that taxes on income from the securities issued by the corporation should be affected.

Senator TAFT. Why should we reenact the law saying these bonds and so forth, shall be exempt from taxation by the United States when we just passed a law saying they shall not be exempt? Why do we not rewrite the whole law and say what the new law should be instead of amending it?

Mr. HAMILTON. Because we are trying to say that this is merely an affirmation of congressional policy. The acts creating Federal corporations have usually exempted them from local taxation, except

where there was also partial private ownership. This is simply an effort to say, because of the peculiar wording of the R. F. C. statute, what the congressional intent was.

Senator BROWN. To whom are R. F. C. securities issued?

Mr. HAMILTON. To the public now, Senator Brown. These securities are not affected by this proposed enactment.

Mr. JONES. What is the effect of it?

Mr. HAMILTON. It affects only the personal property owned by the R. F. C. or by any of its affiliated corporations.

Senator BROWN. I was a little bit disturbed by what I saw on page 4 of this paper where you discuss section 3 of the bill. Under the heading Effect of the Provision you say [reading]:

Existing law (except as modified by Public Law 7, 77th Cong., subjecting interest upon and gain from the sale of obligations of the United States and its agencies to Federal taxes) exempts obligations issued by the Reconstruction Finance Corporation, both as to principal and interest, from all taxation except surtaxes, estate, inheritance, and gift taxes.

I was going to raise the same question that Senator Taft has raised, whether or not that indicates it is contrary to the policy we adopted some time ago.

Mr. HAMILTON. No, sir.

Senator BROWN. In other words, I do not think that the R. F. C. should issue tax-exempt obligations when the Government does not do so.

Mr. JONES. We do not.

Senator BROWN. To whom do your securities go?

Mr. JONES. We sell them to the public.

Senator BROWN. Then they should not be tax-exempt.

Mr. JONES. They are not.

Senator BROWN. I am not certain from your explanation here that it is made clear they are not taxable.

Mr. HAMILTON. I think I can satisfy you on that. If you will turn to the page which shows section 10 of the R. F. C. Act with the proposed changes, you will see the new language is underlined. It is page 5 of the mimeographed sheet before you. Please note the present law contains two sentences with respect to taxes. The first refers to an income tax on our own securities. The second refers to property of the Corporation, and the new language is to be applicable only to that sentence and so only to property owned by the Corporation or its affiliates.

Senator BROWN. And not to securities issued by the Corporation?

Mr. HAMILTON. That is correct.

Senator BROWN. That is the way we want it. Is everybody satisfied that we have it that way?

Senator TAFT. Let us take, for instance, the Defense Plant Corporation. They build plants and, I imagine, may equip plants with machinery. In many States machinery is subject to personal taxation. This law would exempt such property, even in the case of a corporation which should pay the tax. Real estate is subject to the same tax, but any tangible personal property apparently is going to be exempted.

Mr. HAMILTON. It has always been exempted. We have never paid any personal property tax. But we have had litigation about it.

Senator TAFT. If you build a plant and lease it to the Wright Aeronautical Corporation, with a lot of machinery in it, why should

not the Wright Aeronautical Corporation pay a tax to the local community on that machinery? Why should you exempt them from taxation when every other manufacturing concern is paying a tax?

Mr. JONES. Would this language exempt that?

Mr. HAMILTON. Yes.

Mr. JONES. The plant or the equipment?

Mr. HAMILTON. The equipment unless it becomes a part of the realty.

Senator TAFT. Real estate is specifically not exempted.

Mr. HAMILTON. The exemption applies to personal property only.

Mr. SCHRAM. You say if leased to the Wright Aeronautical Corporation. The Defense Plant Corporation still owns the plant and only leases it to the Wright company for a dollar a year plus taxes. The Wright company does not then have to load the cost of products made within the plant with any taxes.

Senator TAFT. It loads it with real-estate taxes.

Mr. SCHRAM. Yes.

Senator TAFT. Why not load it with machinery taxes, too, if there are any?

Mr. SCHRAM. It holds down the cost of the product that much to the Government.

Senator TAFT. Of course, that is true of any product.

Mr. HAMILTON. The whole question is a matter of congressional policy, but we felt you should be advised of the situation.

Senator TAFT. You have had the RFC Mortgage Company for years, and now you are suddenly exempting it from taxation. They have been paying taxes.

Mr. HAMILTON. No, sir; not personal-property taxes. But we would like to get the question settled and be relieved of continuous litigation.

Senator TAFT. It seems to me this committee ought to go into each one of these things and see what you are doing. This is a special exemption.

Senator ADAMS. Senator Taft, I do not think they have overlooked anything. I call attention here to language which says that they are exempt as to taxes heretofore or hereafter imposed. I am wondering about past taxes. That is, if a tax was levied in the past should we at this time invalidate it?

Mr. HAMILTON. This would be nothing more than an affirmation of your policy, a thing you have done before in connection with the shares of preferred stock of banks owned by R. F. C. This wording is practically the same since in the latter case there arose some question as to whether we would have to pay taxes on bank stock, after you passed a supplemental provision such as this.

Senator ADAMS. Of course, if there is no valid tax—either past, present, or future—why, this legislation will accomplish nothing. It merely relieves you of some controversy. On the other hand, if there was a tax levied on these things which happened to be valid, this would invalidate a tax which prior to today has been valid. You may have one man who has paid the tax and another who has not. As to the man who has paid the tax, does he get his money back?

Mr. HAMILTON. We have paid no personal-property taxes, except in one or two cases in connection with disaster loans, and then only under protest. As to whether a local tax is valid or not depends

upon the R. F. C. Act, and the question has usually turned upon the congressional intent as interpreted by the court. This is an effort to put the intent into words.

Senator ADAMS. Do you think we should indulge in retroactive legislation?

Mr. HAMILTON. I see no objection to Congress saying what it meant by an act as to which a number of courts have had different views. Different judges in different jurisdictions have taken different views as to what the wording of this act meant. We would like to eliminate any such question.

Senator ADAMS. That does not answer my question as to whether or not the Congress ought to reach back and settle something which was questionable.

Mr. HAMILTON. This is not inconsistent with your policy. You have always exempted personal property of Federal corporations from taxation, but you have done it by different language in different acts. It happens that the R. F. C. language has been questioned a number of times by local courts. We would like to be able to say definitely what was the intent of the Congress, and we may only do so by getting you to write in this or similar wording.

Senator ADAMS. I question the morality of this.

Senator TAFT. I suppose companies conducting some businesses have to pay rather extensive taxes somewhere. The Electric Home and Farm Authority does not pay any taxes, does it?

Mr. SCHRAM. The stock of the Corporation is owned by the Treasury, and they are not included in this bill, anyway. The Electric Home and Farm Authority is not a subsidiary company of the R. F. C.

Senator TAFT. You do not pay any tax on your paper?

Mr. SCHRAM. No.

Senator TAFT. That is one reason why you can go a little lower, give a little lower rate, than a private company.

Mr. SCHRAM. Possibly so.

Senator BROWN. About 2 months ago, when we passed the law which provides for State taxation within governmental reservations, we provided substantially the same general provisions that you have in this law. In other words, so far as the Government itself is concerned, or any of its corporations, they were not to be subject to the sale or use taxes imposed upon private individuals which may be operating within Government reservations. For instance, a company inside a Government reservation, say in Colorado, is now subject to the tax imposed by the State of Colorado so long as it is a private enterprise, but we specifically exempted any Government corporation, such as the Navy, the Army, or the Department of the Interior. So I do think the general policy that Mr. Hamilton has laid down has already been approved by our action in that particular tax law.

Senator DANAHER. Mr. Hamilton, will the policy just referred to by Senator Brown also relate to corporations to be created under this proposed section 5 (d)?

Mr. HAMILTON. Yes; it would.

Senator DANAHER. Because obviously that contemplates an expansion beyond anything we have hitherto had.

Mr. HAMILTON. I think it would apply to any defense corporation which should be organized, just as it has been made applicable to any now in existence.

Senator BROWN. Senator Danaher, you said "section 5 (d)."

Senator DANAHER. Look at page 7 of the mimeographed sheet and you will see new section 4. There is an amendment of what was section 3, but our numbering here will be section 4.

Mr. HAMILTON. Yes, sir. That would be a defense corporation which would be in the same category as the Rubber Reserve Company or the Metals Reserve Company and, therefore, should be governed by the same taxation principle.

Senator DANAHER. Well, with this distinction: That we had this up last year when we were discussing what powers we should give to corporations to be created under section 3. Now we are going to create, if this bill shall be enacted into law, corporations with such powers as they may deem necessary in order to expedite the defense program.

Senator TOBEY. Are there any precedents for such blanketing of power?

Mr. HAMILTON. Do you interpret the word "they" to mean the President and the Federal Loan Administrator?

Senator TOBEY. I took it to mean the Corporation itself.

Mr. HAMILTON. No. It means the President and the Federal Loan Administrator.

Senator GLASS. All right, Mr. Jones, you may proceed.

Mr. JONES. Section 4 authorizes the R. F. C., upon the request of the Federal Loan Administrator, with the approval of the President, to make loans to foreign governments on securities and investments in this country. The purpose of that is to aid the best possible realization of British securities sold in this country so as to pay for orders placed for war supplies prior to the lend-lease act.

They have been selling them but they cannot always get as fair a price as if we were authorized to lend, we will say, to a trustee for the British or to the British direct upon the security of such investments in this country. In that way we might be able to get more money for the British with which to pay for arms and munitions in this country. Every dollar that we help them to get in this way would be a dollar less we would have to give them under the lend-lease act.

It is, I think, decidedly in the interest of our own Federal Treasury, and that is the only purpose of it, or at least the principal purpose of it. I can illustrate it by a loan we were able to make under existing law to the Brown & Williamson Tobacco Co., of Louisville, a Delaware corporation, the capital stock of which is owned entirely by the British-American Tobacco Co., Ltd., of London.

If that corporation had been required to sell its properties in liquidation, it would probably not have realized as much as we were able to lend them, and safely. We loaned them \$40,000,000. I doubt if they could have realized that much.

They do business in some five or six States. They employ a large number of people directly in their factories. They have drying barns—some 15 or 18 drying barns, curing barns. It would have been hurtful to destroy that business; hurtful to our whole economy.

Senator TOBEY. Is that for a refunding operation?

Mr. JONES. No. That was to get money on British-owned investments in this country which they would use to pay for arms and munitions purchased here.

Senator DANAHER. Would not that be outside of this clause that says [reading]:

Such loans may be made only upon the security of bonds, debentures, stocks, or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State——

Mr. HAMILTON. Read subsection (b).

Senator DANAHER. I see that now.

Senator BYRNES. Let us say you had unlisted stocks of a corporation in Texas among the holdings of British subjects, your thought is that instead of forcing the sale of such stocks in the community, in order to acquire funds to pay for arms and munitions, you would lend money and then at an advantageous time make sale?

Mr. JONES. Liquidate them, or get them the equivalent through a well secured loan.

Senator ADAMS. I do not get quite clear the explanation. You said that by making these loans you would lessen the amount the United States Government would advance under this \$7,000,000,000 lease-lend bill. How does that operate?

Mr. JONES. The more money the British get for their investments in this country the more money they will have to pay on orders they had placed with our manufacturers prior to the passage of the lend-lease bill.

Senator ADAMS. But that does not affect the \$7,000,000,000.

Mr. JONES. It might not affect the \$7,000,000,000, but it would get them more material. For instance, if they got \$2 here instead of \$1, those \$2 would buy more material, and might require less under the \$7,000,000,000 bill.

Senator ADAMS. Do you have any idea that we will advance less than \$7,000,000,000?

Mr. JONES. I think it is possible; yes.

Senator ADAMS. I hope there is something in that hope. But I am afraid that won't even be the limit.

Mr. JONES. I might be afraid, too; but think it quite possible it could be.

Senator BROWN. Mr. Hamilton, do you see any possibility of any tax loss to the Government in the operations of subsection 2 on page 3? In other words, when the sales are made by a private British corporation to the R. F. C., they would be subject to exactly the same tax laws as if the sale were made to a private individual?

Mr. HAMILTON. It would be a loan, Senator.

Mr. JONES. We do not buy them. We merely loan money on them.

Senator ADAMS. You have renumbered subsections 2 and 3 and make them 3 and 4. I am wondering whether or not that might result in confusion. For instance, we all have compilations of these acts with the old numbering. If we referred back, would that result in confusion?

Mr. HAMILTON. Well, we could have put that provision on the end, but thought it better organization that it should go in there.

Senator ADAMS. We have existing pamphlets, and this might trouble us. If you want to amend subsection 2 or subsection 3 there might be some confusion.

Mr. HAMILTON. That compilation you have will be reprinted at the end of this session of Congress, or before.

Senator TAFT. But if you say, "section 3" you may find some confusion.

Mr. HAMILTON. I think usually the references are simply to 5 (d).

Senator TAFT. No. You refer to subsection (d).

Mr. HAMILTON. When we changed this last year it did not result in any confusion. Certainly in our commitment resolutions the reference is simply to section 5 (d), which covers all these powers.

Senator ADAMS. So you might be going out of your way toward confusion.

Mr. HAMILTON. There is no objection at all to putting it on the end if you prefer to have it that way.

Senator BANKHEAD. Mr. Jones, going back to the stock program, the most of the stocks you refer to were stocks in American companies; were they not?

Mr. JONES. I did not get that question.

Senator BANKHEAD. Are the most of the stocks, and frankly all of them, in American companies?

Mr. JONES. Yes; stocks and investments in this country.

Senator BANKHEAD. Owned by English citizens?

Mr. JONES. Yes; who have to turn them in to the British Government.

Senator BANKHEAD. There is no more particular depreciation in the value of those stocks?

Mr. JONES. No; except that with a good deal of stocks hanging over the market that does have an effect, when it is well known they must be sold.

Senator BANKHEAD. Are the most of them listed stocks?

Mr. JONES. A great many of the stocks are listed stocks.

Senator ADAMS. Is it not true that the British have sold a large part of the British-owned listed stocks, and that probably now they are selling unlisted stocks?

Mr. JONES. They are getting down to investments.

Senator ADAMS. I heard some statement made that they had \$800,000,000 or \$900,000,000 of unlisted securities.

Mr. JONES. Every now and then it develops that they have some investment here or there. If you go out to realize on them in dollars in a forced sale, the return will not represent true value.

Senator Brown. Of course there is the tax question in there. If they sold those securities the owners would be required to pay an income tax if there was any difference in their favor.

Mr. JONES. They might have a loss or might have a profit.

Senator BROWN. With the present market it seems to me the loss probability is the greater one, whereas if you carry them along, and it might be a small matter, but there isn't any possibility of any Government gain by way of taxes on those securities. However, it would be a small matter.

Mr. JONES. I think that would be infinitesimal compared to the knock-down price. For instance, the Viscose Co. that was recently sold, and that was a big institution, generally reputed to be worth \$100,000,000 or more, and making 7 or 8, 9 or 10 million dollars a year. The owners were told by the British Government to sell it. Where could you go to sell that sort of institution? I use that company as an illustration only.

The next subject on the bill I should like to discuss in executive session.

Senator BROWN. Is that section 5?

Mr. JONES. Yes.

Senator ADAMS. In making loans such as you made to the Brown & Williamson Tobacco Co., how much margin of security do you expect of them?

Mr. JONES. I would like to make a safe loan. I never have thought that any particular margin requirement should be controlling.

Senator ADAMS. You cannot fix a hard-and-fast rule, I understand, but I wondered if you had any rough estimate. Of course, you are lending less than 100 percent of value.

Mr. JONES. Yes.

Senator ADAMS. Would you lend 99 percent?

Mr. JONES. I think you could loan 100 percent and have a perfectly good loan sometimes, and then again you might loan 40 percent and have a poor loan.

Senator ADAMS. From past experience loans to foreign governments have not been on a value of more than 20 percent of the security they furnished.

Mr. JONES. They have not been made on a business basis. I am talking now of a business loan made by an agency that makes business loans.

Senator ADAMS. That is the purpose of this section, to make business loans?

Mr. JONES. Yes.

Senator ADAMS. And not to make grants to foreign governments?

Mr. JONES. No, sir.

Senator BROWN. Loans secured by securities that the Government owned at the time, which could be converted into cash.

Mr. JONES. Yes.

Senator GLASS. Mr. Jones, do you now wish to discuss section 5 of the bill S. 1438, that we have under consideration?

Mr. JONES. I am prepared to do so.

Senator GLASS (presiding). You may proceed, Mr. Jones.

Mr. JONES. Before taking up section 5 of the bill I should like to talk a little bit more about the sale of the Viscose Co. This is for the purpose of illustrating the desirability of being able to make loans rather than to require the forced sale of securities or of companies.

The representative of the British Government gave our Secretary of the Treasury a list of the securities they will sell or liquidate, the proceeds to be applied on purchases contracted for prior to the passage of the Lend-Lease Act. Now, obviously, the more they can get for those securities the more they will be able to pay on their orders, and if they do not have enough to pay for those orders the amount they are short will, in effect, come from funds for activities under the Lend-Lease Act.

Senator ADAMS. We were told that the British had enough securities and resources to make complete payment for all orders they had given over here.

Mr. JONES. They probably have if they can get a fair price for their assets. Now, my illustration: In the case of the loan to the

Brown & Williamson Tobacco Co. we were able to make under existing law a loan whereby the company received more money probably than they could have sold the property for at a knock-down price. That is shown by the fact that they went to some investment bankers in New York and were advised by them to go to the R. F. C. and borrow the money, if they could get as much as 35 or 40 million in that way. The loan was granted for \$40,000,000, and I can sell the loan the minute it is closed at a profit, and without recourse.

In the case of large investments like the American Viscose Corporation, for instance, 95 percent of the capital stock of which they recently sold to investment bankers for \$36,456,000, as much or possibly more net money for the British could have been realized through an R. F. C. loan on its capital stock than through a forced sale. This being a large company, there was no place to sell it except to or through investment bankers, so a deal was made whereby the bankers bought 95 percent of the capital stock of the American Viscose Corporation, which by the way is a Delaware corporation, for \$36,456,000. It is my understanding that in the purchase contract the bankers agreed that if within 6 months they were able to sell the stock so bought or recapitalize the company and market the stock, they would pay the British sellers 90 percent of any increase over the price paid, less an underwriting fee of 5 percent (\$1,822,800), 1 percent of the total resale price received by the bankers, and all expenses incurred by the bankers in connection with the purchase, the recapitalization, or reorganization and the resale of the stock.

The corporation has been a large earner and is reported to be worth \$100,000,000 or more. Assuming that the bankers were able to resell it for \$75,000,000, the underwriting fees, expenses, commissions, and profits to the bankers would aggregate about \$6,000,000, leaving less than \$70,000,000 net available to the British Treasury for use in paying for its purchases in this country. I am not criticizing the underwriting banks for buying the property cheap or for making a substantial profit in the transaction, but every additional net dollar that can be had by the British from these investments will redound to the benefit of our own Treasury.

The Viscose Co. now has \$37,000,000 cash on hand. We could have made the company a loan of \$40,000,000 or \$50,000,000, and they could have taken \$20,000,000 out of the cash balance and the British Treasury would have gotten as much money as they will get through the sale. The owners would still have their property; and anticipated profits would probably have worked the loan out over a period of 10 years.

Another thing that I think is very important and that is this: The morale of the British people. We want to help them. But if we are going to take their industrial companies away from them, it seems to me it will not leave a very good taste in their mouth, particularly if the same results can be reached another way. They are hesitant to turn loose properties from which they receive dollar exchange with which to pay for purchases in this country in normal times. The British are our best customers. I do not think it is to our interest to take everything they have away from them.

I would like to take it and hold it on a business-loan basis, but give them a chance to work it out.

As an illustration, for instance, I would not want to take a carpenter's tools away from him, but would let him put them up as security for a loan, and then when he pays his loan he can get his tools back. I think this is very important to our whole situation. I advocated this sort of thing prior to the passage of the lend-lease act as well as ever since. We could make these loans and then turn around and sell them to these same bankers and to the public.

Senator TOBEY. Who were the bankers who headed this syndicate?

Mr. JONES. The syndicate was headed by Morgan Stanley & Co. and Dillon, Reed & Co., but some 15 others joined them.

Senator TOBEY. Is there any connection between the Viscose Co. and Cortols?

Mr. JONES. Cortols owns the Viscose stock. The Viscose people have been to see me half a dozen times hoping to find a way to get a loan and pay the bankers off, and pay them their profit. I think it is too late on that, but there may be others coming along.

Senator TOBEY. Why was it that they did not come to you in the first place?

Mr. JONES. I had made it clear that we had no authority to make loans to the British, or any other belligerent country for that matter, or to any one acting for them.

Senator TAFT. Would you plan to loan them 100 percent?

Mr. JONES. No. I think in the case of the tobacco company the property is worth probably \$60,000,000 and they could not have gotten the \$40,000,000 we loaned, on a knock-down sale.

Senator TOBEY. What is the Viscose Co. capitalized for?

Mr. JONES. I am not sure as to that, but they have assets reported to be worth at least \$100,000,000.

Senator TAFT. If sold on the market, they would get the present value of the stock?

Mr. JONES. There is no present market on anything sold in a big way. You take any bond or stock quoted on the New York Stock Exchange and go out and try to sell any appreciable amount and you will surely break the market.

Senator TAFT. Then as a stock it is not worth that amount. The physical property might be worth it, but certainly the stock is not.

Mr. JONES. I do not agree with you on that at all. I think it might be worth it. It is worth it if it will earn a return upon it.

Senator TAFT. But if people will not buy the stock, then it is not worth it. Do you mean to say that all stocks quoted on the New York Stock Exchange are selling way below their real value?

Mr. JONES. I do not mean to say that at all. They may be selling above or below their real value, but you cannot sell a great amount of any stock that is listed on the market and not seriously affect the market.

Senator BANKHEAD. In other words, you could not sell all stocks that are listed on the New York Stock Exchange at one time and get the amount they are listed at.

Mr. JONES. Certainly not.

Senator TAFT. That is not my question at all. I take it that Mr. Jones is telling us that the prices of stocks listed on the New York Stock Exchange do not reflect the value of stocks.

Mr. JONES. They do not.

Senator TAFT. But that is what the listed values are. They are the values upon the market.

Mr. JONES. Well, what you must understand—

Senator Tobey (interposing). There are two values. One value is the market value, and the other value is the intrinsic value.

Senator ADAMS. Perhaps when we get this new man at the head of the New York Stock Exchange these things will be changed.

Senator TOBEY. What is his name?

Senator ADAMS. Mr. Schram.

Mr. JONES. I hope he will be able to do something beneficial up there.

Senator ADAMS. There is a pretty thin market up there now.

Mr. JONES. Yes. You cannot sell a great deal of anything except at a sacrifice price.

Senator BROWN. Well, is that what you want this \$1,500,000,000 for in section 5 of the bill?

Mr. JONES. No. I do not think we would ever loan more than a few hundred million dollars of it in that way.

Senator BROWN. Do you want it for use generally?

Mr. JONES. Yes; it is for our general purposes, principally in connection with the defense program. You have before you a memorandum of everything we have done since you gave us authority to aid in the defense program last May. It aggregates \$1,600,000,000, and we are being asked daily by the War and Navy Departments to do more things.

Senator BROWN. Your outside limit of borrowing authority is what?

Mr. JONES. It is about \$1,000,000,000 more than our commitments.

Senator BROWN. I mean what is the total amount you are authorized to use? You say in section 5 of the bill you will increase that amount by \$1,500,000,000.

Mr. JONES. Well, there are changes every day, but our authority today in addition to commitments is not much more than a billion dollars, probably it is a little less.

Senator ADAMS. Senator Brown is trying to get your aggregate lending capacity, used and not used.

Senator BROWN. Let us suppose that everybody paid you what they owe; how much could you then lend?

Mr. JONES. We have outstanding now \$2,100,000,000 in loans and investments. That includes bank stocks and everything else. We have authorized a total of something over \$13,000,000,000. About \$2,700,000,000 of that has been canceled for one cause or another. We have actually disbursed for loans and investments a little over eight and one-half billion dollars. We have collected about \$6,400,-000,000, or a little over 75 percent. We have outstanding \$2,100,-000,000. We have commitments for about \$2,225,000,000. We could make commitments today in addition to that of about a billion dollars. So that we do need, if we are to continue in the defense program, some additional lending authority.

Senator TOBEY. Mr. Jones, there is a little facetiousness in this question, but you were quoted in the press as saying a while ago that we were in the war and that when in war we have to throw money away.

Mr. JONES. I have never said that we had to throw money away. I was incorrectly quoted.

Senator TOBEY. I could never believe that you would say that. Knowing Jesse Jones as I do and admiring him, I could not believe that statement.

Senator BYRNES. Mr. Jones, whenever you get into that humor, will you tell us about it?

Mr. JONES. I hope some of you gentlemen will find the time to read that report that I have handed over, because I confess to a great deal of pride in the work we have done and are able to do in the defense program.

There is one other thing I should like to discuss, and that is the question of synthetic rubber. We have been studying that situation now for 6 or 8 months. The defense commission wants us to build some synthetic rubber plants. They have wanted us to do it for some time, but I have not thought it necessary. The President has not thought it necessary.

We have been buying raw rubber at 20 cents per pound or under. It would cost from two to five hundred million dollars to build plants to manufacture synthetic rubber for, I would say, one-half or one-third of our normal supply of rubber.

While we have the technical authority to build synthetic rubber plants under existing law, yet I have never thought that we had the right without coming back to you and telling you it is necessary to build synthetic rubber plants and how much money they will cost. It is a speculative proposition. The processes are somewhat different. No three people make synthetic rubber according to the same formula. But synthetic rubber can be made.

Senator MALONEY. Can synthetic rubber be made successfully?

Mr. JONES. Germany is existing almost entirely on synthetic rubber.

Senator MALONEY. But on yesterday I read in some article that it really was not successful, that they were having a great deal of trouble with it.

Mr. JONES. They do have trouble with it, and it is not satisfactory, and yet it is a substitute for rubber.

Senator BANKHEAD. Is it the only kind of rubber that Germany can get?

Mr. JONES. Probably so, except some stores they may have.

Senator TAFT. Is it based on coal?

Mr. JONES. I do not know. Here in the United States it is made with an oil or gas base.

Senator TOBEY. The Goodyear people are working on it every day.

Mr. JONES. Yes; the du Pont people too, are making successfully a synthetic rubber. They are making now probably 10,000 tons a year, and are getting 60 to 75 cents a pound for it. It is superior to natural rubber for some purposes; for instance, it is impervious to greases and oils.

Several other plants are experimenting in the manufacture of synthetic rubber. I think the Goodrich Co. has spent a million dollars to develop it. They have some tires in service now. I have had samples of tires tested at the Bureau of Standards. They do not measure up to War Department specifications but do get within 85 or 90 percent of it—and, of course, if that is the best that can be done, it will have to do.

The O. P. M. is writing me a letter again—2 or 3 days ago. It has not reached me yet, but Mr. Knudsen called me up about it and said they wanted us to start as soon as possible to build plants to manufacture a substantial amount of synthetic rubber. Well, it is anybody's guess whether we should or should not do it. We should not do it unless we are going to be cut off from the Far East. It would be a great waste of money.

Furthermore, if we get a very large investment in synthetic-rubber plants in this country, you gentlemen will be confronted with tariffs on rubber the rest of your lives, because we won't want to junk that half billion dollars we may have invested, and it is just a problem that the President has felt he did not want to undertake, and I certainly have concurred in that view.

Senator MALONEY. It would be too bad if you waited until the supply of natural rubber was shut off.

Mr. JONES. Yes; it would be. I might say that we are keeping in pretty close touch with the situation. We have been able to get something over 100,000 tons of rubber ahead of consumption for our Rubber Reserve Company. We have agreed to buy 430,000 tons, in all; 100,000 tons has been delivered, and there is some afloat. We could get all of it this year if we could get shipping, provided we are not cut off.

The rubber industry has increased its natural supply between 65,000 and 100,000 tons to meet consumption this year, which may be up from about 600,000 tons to 800,000 or 900,000 tons.

In addition we also have in this country now about 100,000 tons of rubber received in exchange for cotton a year ago.

Senator TAFT. Is that due to the defense program? That is not the civilian increase, is it?

Mr. JONES. Well, they are making automobiles at the rate of 6,000,000 a year.

Senator BANKHEAD. Are you getting any rubber in South America?

Mr. JONES. Very little.

Senator BYRNES. Are they making any headway there with their experiments?

Mr. JONES. They will get some rubber inside of 20 years. The Agricultural Department has been working on it. So we cannot for the present rely on rubber from that source.

Senator MALONEY. Mr. Jones, you have an acute situation in the rubber field now, have you not?

Mr. JONES. Yes; or we may have.

Senator MALONEY. The smaller manufacturer is being crushed very fast, and unless someone does something all of the small rubber companies will have to go out of business.

Mr. JONES. I think we are going to have to start rationing rubber pretty soon. Is that not so, Mr. Schram?

Mr. SCHRAM. As you probably know, I have been working on priorities recently with Mr. Stettinius, and I think we will have to start rationing rubber very soon.

Senator MALONEY. I think you should have started 2 weeks back.

Mr. SCHRAM. We used last year about 200,000 tons over the normal consumption. I have not heard of any manufacturer who has not been able to get raw rubber.

Senator MALONEY. But they are paying from 4 or 5 cents a pound more than the large manufacturers, who have interests in rubber

plantations, who know what is going on, and who can buy rubber from themselves. The little fellow is compelled to buy rubber from brokers in New York, and he cannot continue to pay excessive prices.

Mr. SCHRAM. We are checking into that situation now.

Senator MALONEY. The price of rubber has been way out of line and we are doing great harm to the rubber industry.

Mr. SCHRAM. Priorities have no control over prices. But when we get it on a different basis that will be possible.

Senator MALONEY. If you can do something about the price of rubber through the influence of the economic forces that you have, it would be helpful.

Senator TAFT. I am sure so far as I am concerned I am quite willing to leave to Mr. Jones to determine whether he should build a synthetic rubber plant or not. I think, perhaps, at least one experimental rubber plant should be built. He can manufacture strategic materials and can build plants for the manufacture of materials, even anything having to do with war.

Senator MALONEY. But Mr. Jones is here looking for moral support.

Senator TAFT. I understand, and am willing to give him that moral support if he thinks it necessary for our defense.

Senator MALONEY. The situation is very serious, and I want to give him more than mere moral support. I want to give him some real encouragement. If the natural rubber supply is cut off, it will be too late to build synthetic rubber plants.

Mr. JONES. I should like to say that it would seem we have rubber enough to run us at least 1½ years if we were cut off tomorrow from a supply of natural rubber and we could build synthetic rubber plants within that time. Estimates brought to me indicate that we could run for 2½ years, but I have cut that time down to 1½ years, and that would give us about the time required to build synthetic rubber plants.

Senator MALONEY. I did not know that when I made my statement.

Senator BYRNES. I take it that assumes that the consumption of rubber as of this date will continue.

Mr. JONES. No. That would assume, on the 2½-year basis, about a 40-percent reduction in the civilian uses of rubber, but supply everything the War Department or the Navy Department would need, with a better reclaiming of used rubber.

Senator MALONEY. And there is likely to be that curtailment of civilian rubber if Leon Henderson's 20-percent automobile reduction goes into effect, I take it?

Mr. JONES. This synthetic rubber is going to cost about double, or even treble, what we are paying for it. Estimates that people bring to us indicate that they can make synthetic rubber at from 35 cents to 50 cents per pound, depending on who you get them from. We are buying rubber at 20 cents a pound, and it can be grown and sold comfortably at 15 cents per pound. So I have felt that with the knowledge that we could run for a year and a half at least, we ought not to go into the synthetic rubber business.

Senator TAFT. Do you not think you ought to have at least one synthetic rubber plant, so that you might learn exactly what to do? If you do have to build additional synthetic rubber plants, you will know about it.

Mr. JONES. I am working it up now.

Senator BYRNES. What would one plant cost in the synthetic rubber field?

Senator ADAMS. You have rubber companies already conducting experiments in an elaborate way, and they are probably far more successful than the Government would be in the conduct of an experimental synthetic rubber plant.

Mr. JONES. That is the way we would do it, through rubber companies. But they only want to do it with Government money. They do not want to do it with their own money.

Senator BROWN. And we cannot blame them for that.

Mr. JONES. But I do blame them for it to some extent, because rubber is vital to their business.

Senator BROWN. I think they are justified in that view on account of the price.

Mr. JONES. They can pass the price along. There is no reason why the taxpayers should furnish tires at a cheap price. I think the rubber and the automotive people and those in related businesses should take a part of this risk. But if we cannot get that done, we will start out and do something ourselves.

Senator BANKHEAD. If they won't do it, what will it cost you to do it?

Mr. JONES. Anywhere from \$5,000,000 to \$100,000,000, for a limited capacity, depending on how far one may go. To begin with, the du Pont Co. now has a plant of 10,000 tons capacity, and they are doubling their capacity with no aid from the Government. We have agreed with them that if we should do anything for the other companies we will do as much for them, will make it apply to their operation. There are four companies we have been dealing with, trying to work out formulas, and they have to have their deals with the oil people who furnish the basis for the synthetic rubber. It takes a great many millions of dollars.

Senator BYRNES. Are the four companies using different processes?

Mr. JONES. One will have one patent and another will have another patent.

Mr. SCHRAM. But I think it is an operation on about the same process.

Mr. JONES. But they are a little different.

Senator BYRNES. Do we gain anything to give financial assistance to all of them, or would it be wise to take one concern to conduct this experiment?

Mr. JONES. We, of course, have been dealing with the industry as a body, and none of them has been willing that one fellow alone should be selected. They want to divide it by four, and each of the four do something.

Senator BYRNES. It might be the wise thing from the standpoint of the Government. As Mr. Schram says, if it is a simple operation and you are going to have four different companies experiment, it seems to me it would be better to put more money in some suitable arrangement of one concern, and let them experiment, in order to reduce the cost of production.

Mr. SCHRAM. We think it would be desirable to have more than one plant. These four companies that are figuring on it now have private plants. They are past the experimental stage. I think the advantage in having four companies working on synthetic rubber is, that no doubt improvements will be made that will lower the cost of

production. They all have a slight variation of the same process and are constantly working toward the end of a lower cost. Also there would be the competitive feature there, which is desirable.

Senator BANKHEAD. Why could not one company use the process of another company?

Mr. SCHRAM. I think these processes would all be available to the Government. They might be developed in a Government plant.

Senator TOBEY. Mr. Jones, how are we off now for tin?

Mr. JONES. We are some better off for tin. We are getting a fair supply right along.

Senator TOBEY. Is it coming from Bolivia?

Mr. JONES. It will be about a year before we get that tin. However, we are getting tin from China and the Far East and are accumulating some 15 or 18 different metals from all parts of the world. I will give you a list of everything we have done, so, if you have the time to read it, you will see the situation.

Senator GLASS (presiding). Have you anything further to present, Mr. Jones?

Mr. JONES. If the members of the committee will turn to page 7, I would like to call attention to the last paragraph, the second line, after the word "organized," the House committee voted the bill out with this change added after that word: "At any time prior to July 1, 1943." That would limit the time under which we can do these things.

Senator TAFT. What page is that?

Mr. JONES. It is page 7 of this explanation.

Senator TAFT. What was the reason for the date January 22, 1947?

Mr. JONES. Well—

Senator TAFT (continuing). I would think if we had it for 4 years that that would be enough, and the next administration might want to decide what it wished to do.

Mr. JONES. Well, that is the succession of the R. F. C.

Senator TAFT. That is when the power of the R. F. C. comes to an end.

Mr. JONES. Yes. That was the reason for that.

Senator BYRNES. Have you any objection to the language added by the House?

Mr. JONES. No. We agreed to it.

Senator BROWN. Then that would read:

When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, at any time prior to July 1, 1943, to make loans, notwithstanding the provisions of any other law, to any foreign government, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government.

Mr. JONES. No; I refer to the other proposed amendment of section 5 (d).

Senator BROWN. That limits not only your amendment made in this act but your general powers granted in the original act a year ago.

Mr. JONES. Yes.

Senator BROWN. I think that is desirable.

Senator GLASS. Mr. Jones, when do you want this bill reported? I ask that question because I have a note from the Secretary of the Treasury asking me not to report the bill until he can have an opportunity to examine it.

Mr. JONES. Well, it does not affect the Secretary of the Treasury. However, I have no objection.

Senator GLASS. He seems to think it does.

Mr. JONES. I certainly have no objection to his being heard.

Senator TAFT. Mr. Chairman, I move that in the meantime the bill be referred to a subcommittee, of which Mr. Brown will be chairman. This tax feature ought to be examined a little more in detail, and perhaps some other language ought to be considered. If you would refer the bill to a small subcommittee on drafting, it would likely save time.

Mr. BYRNES. Do you mean refer it to a subcommittee for hearings?

Senator TAFT. No. Only for the purpose of examining the language of the bill and suggesting any amendments by way of draftsmanship.

Senator GLASS. That may be done, and then the bill will be considered in the full committee.

Senator TAFT. I think that tax matter should be studied, in the matter of exempting people from taxation.

Senator BROWN. I am satisfied by what Mr. Hamilton told us about what the language means, but would like a little further opportunity to see if I agree with his views. I would be glad to sit down with Mr. Hamilton, and Senator Taft, if that is agreeable to the Chair.

Senator GLASS (presiding). It will be agreeable to the Chair. I will call a meeting of the full committee whenever you are ready to report.

Senator BROWN. I think it would be well if we could set it for a day certain. Let us make it on next Tuesday.

Senator GLASS. Any day will suit me, but I do not know what day might suit the Secretary of the Treasury.

Senator BROWN. This is Thursday, and Senator Adams and myself are very much interested in a bill to be heard tomorrow by the Finance Committee.

Senator BYRNES. Suppose we make it on Monday or Tuesday of next week, if that will be satisfactory to the Secretary of the Treasury.

Senator GLASS. I will notify the Secretary of the Treasury to that effect, that the committee will be glad to hear him either on Monday or Tuesday of next week.

The committee will now adjourn, probably to meet again on Monday or Tuesday, subject to call.

(Thereupon, at 12:30 p. m., Thursday, May 8, 1941, the committee adjourned subject to call.)

(Mr. Jones subsequently presented the following letter and attachments for inclusion in the record:)

THE SECRETARY OF THE TREASURY,  
*Washington, May 12, 1941.*

Hon. JESSE H. JONES,  
*Secretary of Commerce, Washington, D. C.*

DEAR JESSE: I am enclosing a memorandum which states the Treasury's position in regard to language in section 3 of S. 1438 which would immunize transactions with the Reconstruction Finance Corporation and other corporations created by the Reconstruction Finance Corporation from State sales and use taxes.

If you agree, I wish you would present the Treasury's views to the Senate Banking and Currency Committee.

Sincerely yours,

HENRY.

P. S.: I am also enclosing a copy of my letter to Senator Wagner.

MAY 12, 1941.

## MEMORANDUM

The Senate Committee on Banking and Currency has requested the opinion of the Treasury Department on S. 1438, a bill to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

Section 3 of the bill would, among other things, immunize transactions with the Reconstruction Finance Corporation, the Defense Plant Corporation, the Defense Supplies Corporation, and other corporations created or organized by the Reconstruction Finance Corporation, from sales taxes and use taxes. The language in question is the parenthetical clause: "(which shall, for all purposes, be deemed to include sales taxes and use taxes.)"

To the extent that this provision exempts sales from Federal taxation, it is unnecessary. On February 13, 1941, the Commissioner of Internal Revenue issued a ruling to the Defense Plant Corporation that sales of automobile trucks and automotive equipment by manufacturers to the Defense Plant Corporation for use in the construction of an airport plant were exempt from the manufacturer's excise tax. This ruling would be of general application so far as sales for the use of the United States or its agencies are concerned.

To the extent that this provision exempts transactions from State sales and use taxes, it is unwise.

In the first place, it fails to take into consideration the broader aspects of the inter-governmental immunity problem. This Department has been disturbed for some time by the overlapping of Federal, State, and municipal taxation and by the inequalities resulting from the doctrine of reciprocal immunity, and has been trying to clarify this situation in Congress and in the courts.

In the second place, if section 3 as now drafted is enacted into law, it would place the Treasury in the untenable position of trying to collect taxes on all private income, even if it is derived from a State or municipal government, while at the same time preventing the States from taxing in a nondiscriminatory manner purchases made by corporate instrumentalities of the Federal Government.

In the third place, even though the expenses of the Government might be lessened if the exemption were granted, this is not an adequate basis for tax immunity. The taxes in question are not discriminatory. They are State sales taxes, gasoline taxes, and the like which apply equally to all taxpayers. Any burden on any agency of the Federal Government resulting from such taxes is a normal incident of the organization within the same territory of two governments, each possessed of the taxing power.

Finally, the proposed exemption from State sales and use taxes would also prevent the States and municipalities from deriving additional revenue from Federal defense activities to pay for expenses incurred as a result of those activities.

It is concluded, therefore, that since the language quoted is surplusage from the viewpoint of Federal taxation and contrary to a sound tax policy from the viewpoint of State taxation, it should be eliminated from the bill.

MAY 12, 1941.

Hon. ROBERT F. WAGNER,  
*Chairman, Committee on Banking and Currency,*  
*United States Senate.*

DEAR MR. CHAIRMAN. Further reference is made to your letter of May 3, 1941, enclosing copy of a bill, S. 1438, to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes. The Treasury Department has today transmitted to Federal Loan Administrator Jones its views on the provisions of the bill which relate to exemptions from sales and use taxes. If Mr. Jones agrees with our views in this connection, he will present them to your committee.

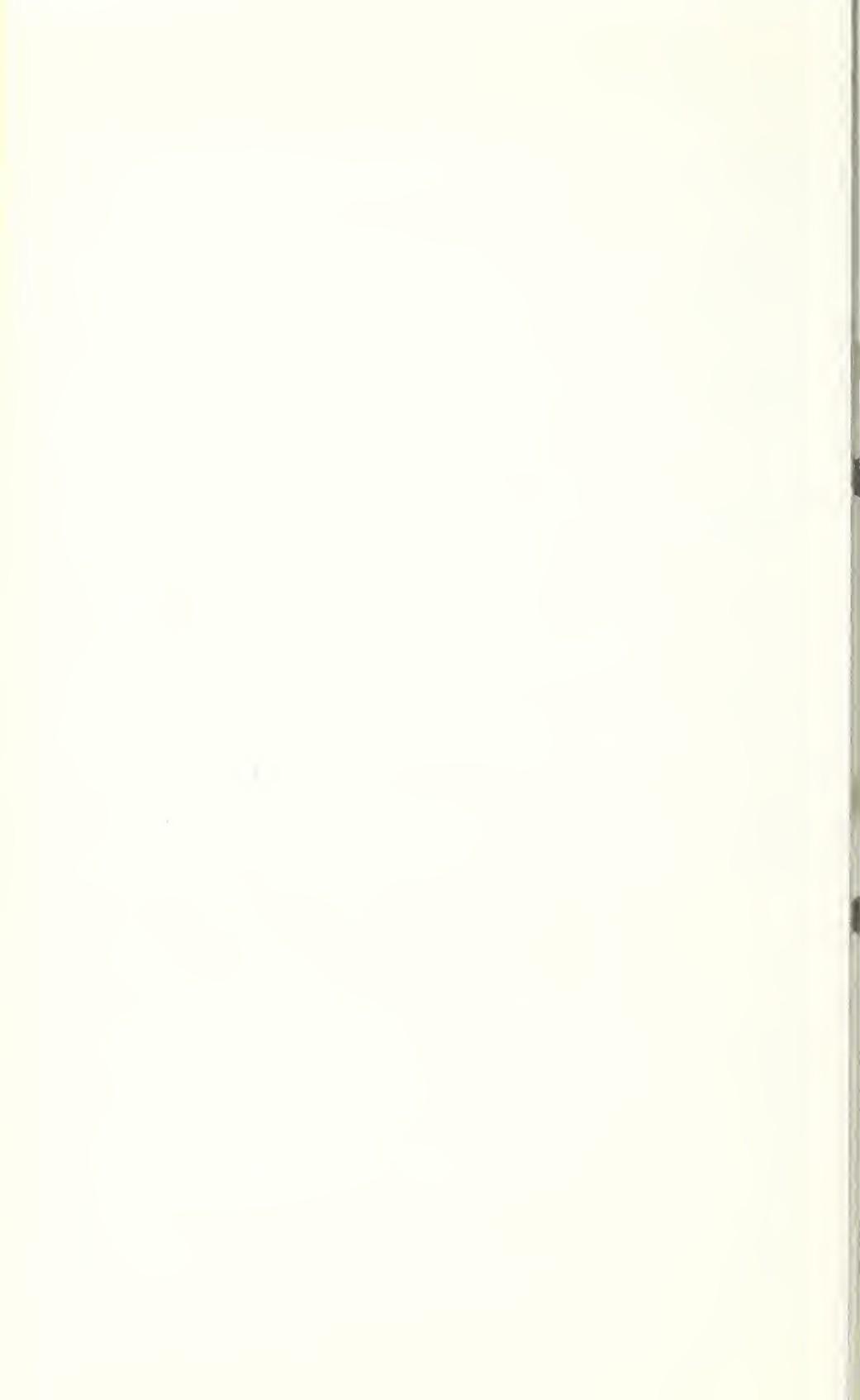
In these circumstances, the Treasury will not make any formal report on the bill, it being satisfied to let the matter rest in Mr. Jones' hands.

Sincerely yours,

H. MORGENTHAU, Jr.,  
*Secretary of the Treasury.*

X





INCREASING LENDING AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION



MAY 8, 1941.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

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Mr. STEAGALL, from the Committee on Banking and Currency, submitted the following

## REPORT

[To accompany H. R. 4674]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 4674) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

### EXPLANATION OF THE BILL AS REPORTED

Section 1: Under existing law the Disaster Loan Corporation has succession until dissolved by Congress, but it is not authorized to make loans in conjunction with catastrophes occurring after the year 1940. This section authorizes loans in conjunction with catastrophes occurring prior to January 22, 1947, coextensive with the succession of the Reconstruction Finance Corporation.

Section 2: This section extends the succession of Electric Home and Farm Authority from June 30, 1941, to January 22, 1947, coextensive with the succession of the Reconstruction Finance Corporation.

Section 3: Existing law (except as modified by Public Law 7, Seventy-seventh Congress, subjecting interest upon and gain from the sale of obligations of the United States and its agencies to Federal taxes) exempts obligations issued by the Reconstruction Finance Corporation, both as to principal and interest, from all taxation except surtaxes, estate, inheritance, and gift taxes. The Reconstruction Finance Corporation, including its franchise, capital, reserves, surplus, and income is likewise made exempt from all taxation. The only qualification of these exemptions provides that real property of

## 2 AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION

the Corporation is to be subject to nondiscriminatory State and local taxes.

This section of the bill reaffirms the policy of the Congress with respect to such exemptions, making it clear (1) that the exemption extends to sales taxes, use taxes, and all other taxes except those expressly excepted under existing law, and (2) that the exemption applies to the loans and personal property of the Corporation.

This section also clarifies the position of various corporations of a public nature affiliated with the Reconstruction Finance Corporation by providing that the tax exemptions applicable to the Reconstruction Finance Corporation shall be construed as applicable (1) to public corporations organized or created by or at the instance of the Reconstruction Finance Corporation, including the Defense Plant Corporation, the Defense Supplies Corporation, the Rubber Reserve Company, the Metals Reserve Company, The RFC Mortgage Company, and the Federal National Mortgage Association; and (2) to public corporations which are wholly financed and managed by the Reconstruction Finance Corporation, specifically the Disaster Loan Corporation.

The exemptions provided in this section are extended to include the Defense Homes Corporation. This Corporation, although incorporated at the instance of the Federal Loan Administrator and financed through an allocation from the emergency funds of the President, is managed by the Reconstruction Finance Corporation.

Section 4: Subsection (b) of this section authorizes the Reconstruction Finance Corporation, upon the request of the Federal Loan Administrator, with the approval of the President, notwithstanding any other provision of law, to make loans to foreign governments or agencies acting for their account, such loans to be made only upon the security of American obligations, governmental or private.

Existing law authorizes Reconstruction Finance Corporation to create defense corporations to procure strategic and critical materials, to expand, equip, and lease plants for the manufacture of arms, ammunition, and implements of war, and, upon finding of necessity by the President, to engage in the manufacture of armaments. Subsection (c) of this section provides that such corporations may be given any powers deemed necessary by the President and the Federal Loan Administrator in order to expedite the defense program. This subsection also provides that the authority of the Reconstruction Finance Corporation to create such corporations shall terminate on July 1, 1943.

Section 5: This section increases the general note-issue power of the Corporation by \$1,500,000,000.

### CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows: Existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman:

ACT APPROVED FEBRUARY 11, 1937 (50 STAT., CHAP. 10, P. 19), AS AMENDED

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby created a Disaster Loan Corporation with nonassessable capital stock in an amount not to exceed*

\$40,000,000. The Reconstruction Finance Corporation is authorized and directed to subscribe for such stock and to make payment therefor from time to time as called, out of the unexpended balance of the \$50,000,000 which the Reconstruction Finance Corporation was authorized to lend for catastrophe relief by section 1 of the Act of April 17, 1936 (Public Numbered 525, Seventy-fourth Congress). Such Disaster Loan Corporation shall be managed by officers and agents to be appointed by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe.

Such Disaster Loan Corporation shall be empowered to make, upon such terms and conditions and in such manner as it may prescribe, such loans as it may determine to be necessary or appropriate because of floods or other catastrophes [in the years 1936, 1937, 1938, 1939, or 1940] occurring during the period between January 1, 1936, and January 22, 1947. Such Disaster Loan Corporation may use all its assets, including capital and net earnings therefrom, in the exercise of its functions.

The Disaster Loan Corporation shall have succession until dissolved by Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, and to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of its business; and shall have such other powers as may be necessary and incident to carrying out its powers and duties under this Act.

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ACT APPROVED MARCH 31, 1936 (49 STAT., CHAP. 163, P. 1186)

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That notwithstanding any other provision of law, Electric Home and Farm Authority, a corporation organized under the laws of the District of Columbia, shall continue until [June 30, 1941] January 22, 1947, or such earlier date as may be fixed by the President by Executive order, to be an agency of the United States. During the continuance of such agency, the present investment in the capital stock of such corporation, for the use and benefit of the United States, shall be continued, and such corporation is hereby authorized to use all its assets, including capital and net earnings therefrom, and all moneys which have been or may hereafter be allocated to or borrowed by it, in the exercise of its functions as such agency.

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RECONSTRUCTION FINANCE CORPORATION ACT, APPROVED JANUARY 22, 1932

(47 STAT., CH. 8, PP. 5-12)

SEC. 10. Any and all notes, debentures, bonds, or other such obligations issued by the corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. The corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed. *The foregoing exemptions with respect to taxation (which shall, for all purposes, be deemed to include sales taxes and use taxes), whether now, heretofore, or hereafter imposed, levied, or assessed, and whether for a past, present, or future taxing period, are hereby extended to apply with respect to Defense Homes Corporation, and shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation to aid the Government of the United States in its national-defense program, (2) the RFC Mortgage Company, the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. The loans made, and personal property owned, by the Reconstruction Finance Corporation or by any such corporation shall be construed as included within such exemptions.*

## 4 AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION

### THE FOURTH PARAGRAPH OF SECTION 5D OF THE RECONSTRUCTION FINANCE CORPORATION ACT AS AMENDED

SEC. 5d \* \* \*

In order to aid the Government of the United States in its national-defense program, the Corporation is authorized—

(1) To assist in the development of the resources, the stabilization of the economies, and the orderly marketing of the products of the countries of the Western Hemisphere by supplying funds, not to exceed \$500,000,000 outstanding at any one time, to the Export-Import Bank of Washington, through loans to, or by subscriptions to preferred stock of, such bank, to enable such bank, to make loans to any governments, their central banks, or any other acceptable banking institutions and, when guaranteed by any such government, a central bank, or any other acceptable banking institution, to a political subdivision, agency, or national of any such government, notwithstanding any other provisions of law insofar as they may restrict or prohibit loans or other extensions of credit to, or other transactions with, the governments of the countries of the Western Hemisphere or their agencies or nationals: *Provided*, That no such loans shall be made in violation of international law as interpreted by the Department of State, or of the Act of April 13, 1934 (48 Stat. 574), or of the Neutrality Act of 1939. Upon the written request of the Federal Loan Administrator, with the approval of the President, the bank is authorized, subject to such conditions and limitations as may be set forth in such request or approval, to exercise the powers and perform the functions herein set forth. Such loans may be made and administered in such manner and upon such terms and conditions as the bank may determine.

(2) *When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government. Such loans may be made only upon the security of bonds, debentures, stocks or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State;*

¶(2) (3) To make loans to, or, when requested by the Federal Loan Administrator with the approval of the President, purchase the capital stock of, any corporation (a) for the purpose of producing, acquiring, and carrying strategic and critical materials as defined by the President, and (b) for plant construction, expansion and equipment, and working capital, to be used by the corporation in the manufacture of equipment and supplies necessary to the national defense, on such terms and conditions and with such maturities at the Corporation may determine; and

¶(3) (4) When requested by the Federal Loan Administrator, with the approval of the President, to create or to organize, *at any time prior to July 1, 1943*, a corporation or corporations, with *such powers as they may deem necessary in order to expedite the defense program, including, but not limited to*, power (a) to produce, acquire, and carry strategic and critical materials as defined by the President, (b) to purchase and lease land, to purchase, lease, build, and expand plants, and to purchase and produce equipment, supplies, and machinery, for the manufacture of arms, ammunition, and implements of war, (c) to lease such plants to private corporations to engage in such manufacture, and (d) if the President finds that it is necessary for a Government agency to engage in such manufacture, to engage in such manufacture itself. The Corporation may make loans to, or purchase the capital stock of, any such corporation for any purpose within the powers of the corporation as above set forth related to the national-defense program, on such terms and conditions as the Corporation may determine. \* \* \*



77TH CONGRESS  
1ST SESSION

Union Calendar No. 180  
**H. R. 4674**

[Report No. 514]

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IN THE HOUSE OF REPRESENTATIVES

MAY 7, 1941

Mr. STEAGALL introduced the following bill; which was referred to the Committee on Banking and Currency

MAY 8, 1941

Committed to the Committee of the Whole House on the state of the Union  
and ordered to be printed

---

**A BILL**

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

- 1       *Be it enacted by the Senate and House of Representa-*
- 2       *tives of the United States of America in Congress assembled,*
- 3       That the Act approved February 11, 1937 (U. S. C., 1934
- 4       edition, Supplement V, title 15, sec. 605k-1), as amended,
- 5       is hereby amended by striking out "in the years 1936, 1937,
- 6       1938, 1939, or 1940" and inserting in lieu thereof "occurring
- 7       during the period between January 1, 1936, and January
- 8       22, 1947".
- 9       SEC. 2. Section 1 of the Act approved March 31, 1936

1 (49 Stat. 1186), as amended, is hereby amended by striking  
2 out "June 30, 1941" and inserting in lieu thereof "January  
3 22, 1947".

4 SEC. 3. Section 10 of the Reconstruction Finance Cor-  
5 poration Act, as amended, is hereby amended by adding at  
6 the end thereof the following new sentences: "The foregoing  
7 exemptions with respect to taxation (which shall, for all  
8 purposes, be deemed to include sales taxes and use taxes),  
9 whether now, heretofore, or hereafter imposed, levied, or  
10 assessed, and whether for a past, present, or future taxing  
11 period, are hereby extended to apply with respect to Defense  
12 Homes Corporation, and shall be construed to be applicable  
13 not only with respect to the Reconstruction Finance Corpo-  
14 ration but also with respect to (1) the Defense Plant Cor-  
15 poration, the Defense Supplies Corporation, the Metals Re-  
16 serve Company, the Rubber Reserve Company, and any  
17 other corporation heretofore or hereafter organized or created  
18 by the Reconstruction Finance Corporation to aid the Gov-  
19 ernment of the United States in its national-defense pro-  
20 gram, (2) The RFC Mortgage Company, the Federal  
21 National Mortgage Association, and any other public corpo-  
22 ration heretofore or hereafter organized by or at the instance  
23 of the Reconstruction Finance Corporation, (3) the Dis-  
24 aster Loan Corporation, and any other public corporation  
25 which is now or which may be hereafter wholly financed

1 and wholly managed by the Reconstruction Finance Corpora-  
2 tion. The loans made, and personal property owned, by  
3 the Reconstruction Finance Corporation or by any such  
4 corporation shall be construed as included within such  
5 exemptions."

6 SEC. 4. (a) The fourth paragraph of section 5d of the  
7 Reconstruction Finance Corporation Act, as amended, is  
8 hereby amended by renumbering subsections "(2)" and  
9 "(3)" thereof as "(3)" and "(4)", respectively.

10 (b) Such paragraph is further amended by inserting  
11 after subsection (1) thereof the following new subsection:

12 "(2) When requested by the Federal Loan Adminis-  
13 trator, with the approval of the President, and subject to  
14 such conditions and limitations as may be set forth in such  
15 request, to make loans, notwithstanding the provisions of  
16 any other law, to any foreign governments, to their central  
17 banks, or to any person, commission, association, corporation,  
18 or bank acting for or on behalf of such government. Such  
19 loans may be made only upon the security of bonds, de-  
20 bentures, stocks, or other such obligations of (a) the Gov-  
21 ernment of the United States or any State, municipality, or  
22 political subdivision of any State, or (b) any private cor-  
23 poration organized under the laws of the United States or  
24 any State;".

25 (c) Subsection (4) of such paragraph (as herein re-

1 numbered) is hereby amended by inserting after the word  
2 "organize" where it first appears therein the following:  
3 ", at any time prior to July 1, 1943," and by inserting before  
4 the word "power" where it first appears therein the follow-  
5 ing: "such powers as they may deem necessary in order to  
6 expedite the defense program, including, but not limited to,".

7 SEC. 5. The amount of notes, bonds, debentures, and  
8 other such obligations which the Reconstruction Finance Cor-  
9 poration is authorized to issue and have outstanding at any  
10 one time under existing law is hereby increased by  
11 \$1,500,000,000.







77TH CONGRESS  
1ST SESSION

# H. R. 4674

[Report No. 514]

## A BILL

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

By Mr. STEAGALL

MAY 7, 1941

Referred to the Committee on Banking and Currency

MAY 8, 1941

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed





# Calendar No. 306

77TH CONGRESS }  
1st Session }

SENATE

{ REPORT  
No. 292

## RECONSTRUCTION FINANCE CORPORATION

MAY 15 (legislative day, MAY 8), 1941.—Ordered to



Mr. Brown, from the Committee on Banking and Currency, submitted the following

### R E P O R T

[To accompany S. 1438]

The Committee on Banking and Currency, to whom was referred the bill (S. 1438) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

#### EXPLANATION OF THE BILL AS REPORTED

Section 1: Under existing law the Disaster Loan Corporation has succession until dissolved by Congress, but it is not authorized to make loans in conjunction with catastrophes occurring after the year 1940. This section authorizes loans in conjunction with catastrophes occurring prior to January 22, 1947, coextensive with the succession of the Reconstruction Finance Corporation.

Section 2: This section extends the succession of Electric Home and Farm Authority from June 30, 1941, to January 22, 1947, coextensive with the succession of the Reconstruction Finance Corporation.

Section 3: Existing law (except as modified by the Public Debt Act of 1941, subjecting interest upon and gain from the sale of obligations of the United States and its agencies to Federal taxes) exempts obligations issued by the Reconstruction Finance Corporation, both as to principal and interest, from all taxation except surtaxes, estate, inheritance, and gift taxes. The Reconstruction Finance Corporation, including its franchise, capital, reserves, surplus, and income is likewise made exempt from all taxation. The only qualification of these exemptions provides that real property of the Corporation is to be subject to nondiscriminatory State and local taxes.

This section of the bill reaffirms the original policy of the Congress with respect to such exemptions (including the limitations contained in the Public Debt Act of 1941), making it clear (1) that such exemptions apply to sales, use, storage, and purchase taxes, and (2) that the exemptions apply to the loans and personal property of the Corporation.

This section also clarifies the position of various corporations of a public nature affiliated with the Reconstruction Finance Corporation by providing that the tax exemptions applicable to the Reconstruction Finance Corporation shall be construed as applicable (1) to public corporations organized or created by or at the instance of the Reconstruction Finance Corporation, including the Defense Plant Corporation, the Defense Supplies Corporation, the Rubber Reserve Company, the Metals Reserve Company, The RFC Mortgage Company, and the Federal National Mortgage Association; and (2) to public corporations which are wholly financed and managed by the Reconstruction Finance Corporation, specifically the Disaster Loan Corporation.

The exemptions from taxation in existing law which are applicable to the obligations issued by the Reconstruction Finance Corporation are not affected or changed in any way by the bill as reported, and all such obligations issued on or after March 1, 1941, are subject to Federal-income taxation.

Section 4: Subsection (a) of this section authorizes the Reconstruction Finance Corporation, upon the request of the Federal Loan Administrator, with the approval of the President, notwithstanding any other provision of law, to make loans to foreign governments or agencies acting for their account, such loans to be made only upon the security of American obligations, governmental or private and for the purpose of obtaining the maximum dollar exchange value for their securities or property.

Existing law authorizes Reconstruction Finance Corporation to create or organize defense corporations to procure strategic and critical materials, to expand, equip, and lease plants for the manufacture of arms, ammunition, and implements of war, and, upon finding of necessity by the President, to engage in the manufacture of armaments. Subsection (b) of this section provides that such corporations may be given any powers deemed necessary by the President and the Federal Loan Administrator in order to expedite the defense program. This subsection also provides that the authority of the Reconstruction Finance Corporation to create or organize such corporations shall terminate on July 1, 1943.

Section 5: This section increases the general note-issue power of the Corporation by \$1,500,000,000.



Calendar No. 306

77<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 1438

[Report No. 292]



## IN THE SENATE OF THE UNITED STATES

MAY 1, 1941

Mr. Brown introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

MAY 15 (legislative day, MAY 8), 1941

Reported by Mr. Brown, with amendments

[Omit the part struck through and insert the part printed in italic]

## A BILL

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the Act approved February 11, 1937 (U. S. C., 1934  
4       edition, Supplement V, title 15, section 605k-1), as  
5       amended, is hereby amended by striking out "in the years  
6       1936, 1937, 1938, 1939, or 1940" and inserting in lieu  
7       thereof "occurring during the period between January 1,  
8       1936, and January 22, 1947".

1        SEC. 2. Section 1 of the Act approved March 31, 1936  
2        (49 Stat. 1186), as amended, is hereby amended by strik-  
3        ing out "June 30, 1941" and inserting in lieu thereof "Jan-  
4        uary 22, 1947".

5        SEC. 3. *(a) The first sentence of section 10 of the Recon-  
6        struction Finance Corporation Act, as amended, is hereby  
7        amended by inserting before the period at the end thereof the  
8        following: " , except as provided in section 4 (a) of the Public  
9        Debt Act of 1941".*

10        *(b) Section 10 of the Reconstruction Finance Corpora-  
11        tion Act, as amended, is hereby further amended by adding at  
12        the end thereof the following new sentences: "The foregoing  
13        exemptions provided for in the preceding sentence with re-  
14        spect to taxation (which shall, for all purposes, be deemed  
15        to include sales taxes and use taxes), whether now, hereto-  
16        fore, or hereafter imposed, levied, or assessed, and whether  
17        for a past, present, or future taxing period, are hereby ex-  
18        tended to apply with respect to Defense Homes Corporation,  
19        and sales, use, storage and purchase taxes) shall be construed  
20        to be applicable not only with respect to the Reconstruction  
21        Finance Corporation but also with respect to (1) the Defense  
22        Plant Corporation, the Defense Supplies Corporation, the  
23        Metals Reserve Company, the Rubber Reserve Company,  
24        and any other corporation heretofore or hereafter organized  
25        or created by the Reconstruction Finance Corporation under*

1 section 5d of this Act, as amended, to aid the Government of  
2 the United States in its national-defense program, (2) the  
3 RFC Mortgage Company, the Federal National Mortgage  
4 Association, and any other public corporation heretofore or  
5 hereafter organized by or at the instance of the Reconstruc-  
6 tion Finance Corporation, and (3) the Disaster Loan Corpora-  
7 tion, and any other public corporation which is now or which  
8 may be hereafter wholly financed and wholly managed by  
9 the Reconstruction Finance Corporation. *The Such exemp-*  
10 *tions shall also be construed to be applicable to the loans made,*  
11 *and personal property owned, by the Reconstruction Finance*  
12 *Corporation or by any such corporation shall be construed as*  
13 *included within such exemptions corporation referred to in*  
14 *clause (1), (2) or (3) of the preceding sentence."*

15 SEC. 4. (a) The fourth paragraph of section 5d of the  
16 Reconstruction Finance Corporation Act, as amended, is  
17 hereby amended by renumbering subsections "(2)" and  
18 "(3)" thereof as "(3)" and "(4)", respectively.

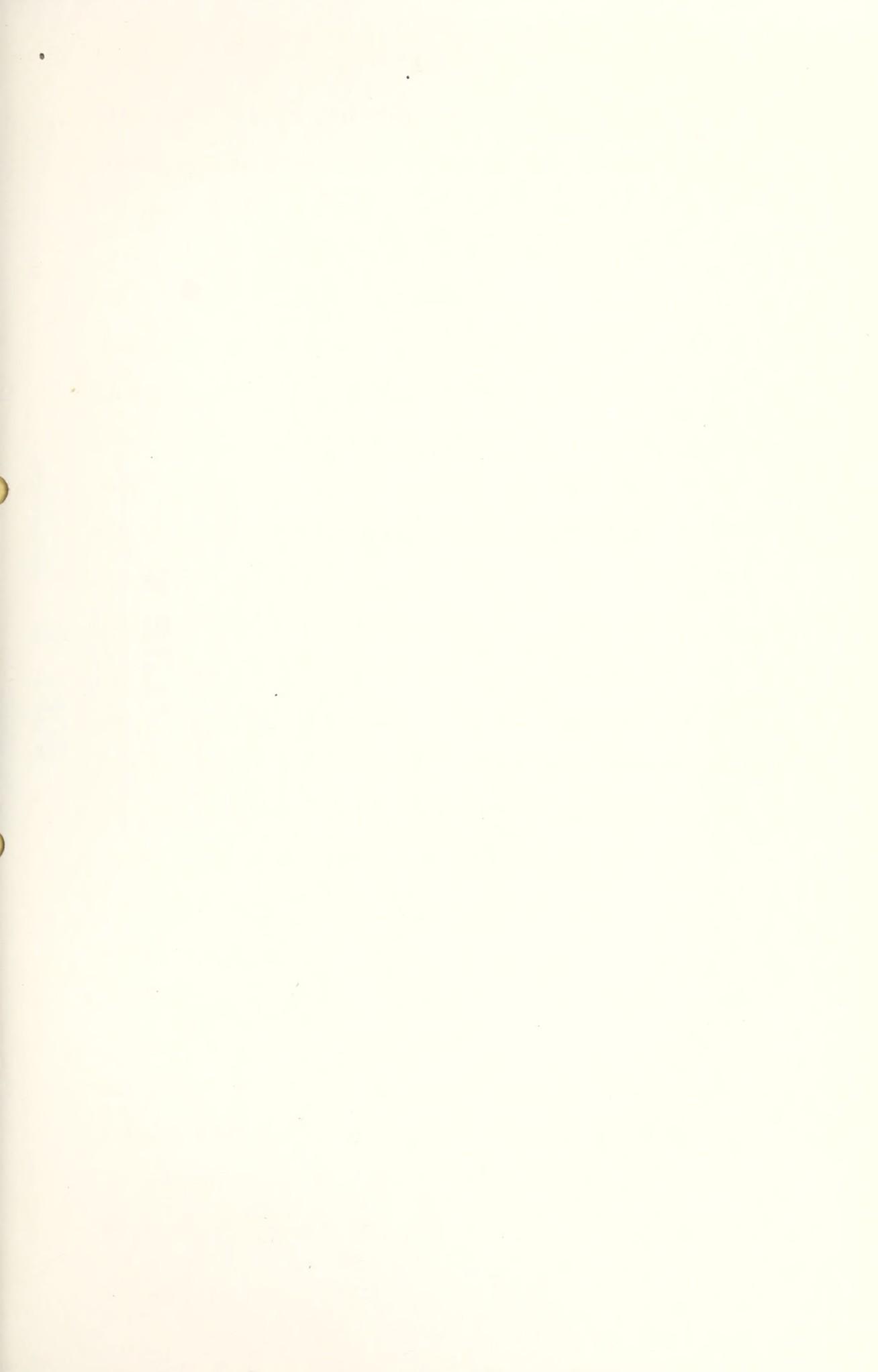
19 (b) Such paragraph is further amended by inserting  
20 after subsection (1) (3) thereof the following new sub-  
21 section:

22 "(2) (4) When requested by the Federal Loan  
23 Administrator, with the approval of the President, and  
24 subject to such conditions and limitations as may be set  
25 forth in such request, to make loans, notwithstanding

1       the provisions of any other law, to any foreign gov-  
2       ernments, to their central banks, or to any person,  
3       commission, association, corporation, or bank acting for  
4       or on behalf of such government, *for the purpose of*  
5       *achieving the maximum dollar exchange value in the*  
6       *United States for the securities or property of any such*  
7       *government, central bank, person, commission, association,*  
8       *corporation, or bank.* Such loans may be made only  
9       upon the security of bonds, debentures, stocks or other  
10      such obligations of (a) the Government of the United  
11      States or any State, municipality, or political subdivision  
12      of any State, or (b) any private corporation organized  
13      under the laws of the United States or any State;.”.

14      (e) Subsection (4) of such paragraph (as herein re-  
15      numbered) is hereby amended (b) Subsection (3) of such  
16      paragraph is hereby amended (1) by inserting after the  
17      word “organize” the words “, at any time prior to July  
18      1, 1943,” and (2) by inserting before the word “power”  
19      where it first appears therein the following: “such powers  
20      as they may deem necessary in order to expedite the defense  
21      program, including, but not limited to.”.

22      SEC. 5. The amount of notes, bonds, debentures, and  
23      other such obligations which the Reconstruction Finance  
24      Corporation is authorized to issue and have outstanding at  
25      any one time under existing law is hereby increased by  
26      \$1,500,000,000.





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77TH CONGRESS  
1ST SESSION

# S. 1438

[Report No. 292]

## A BILL

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

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By Mr. Brown

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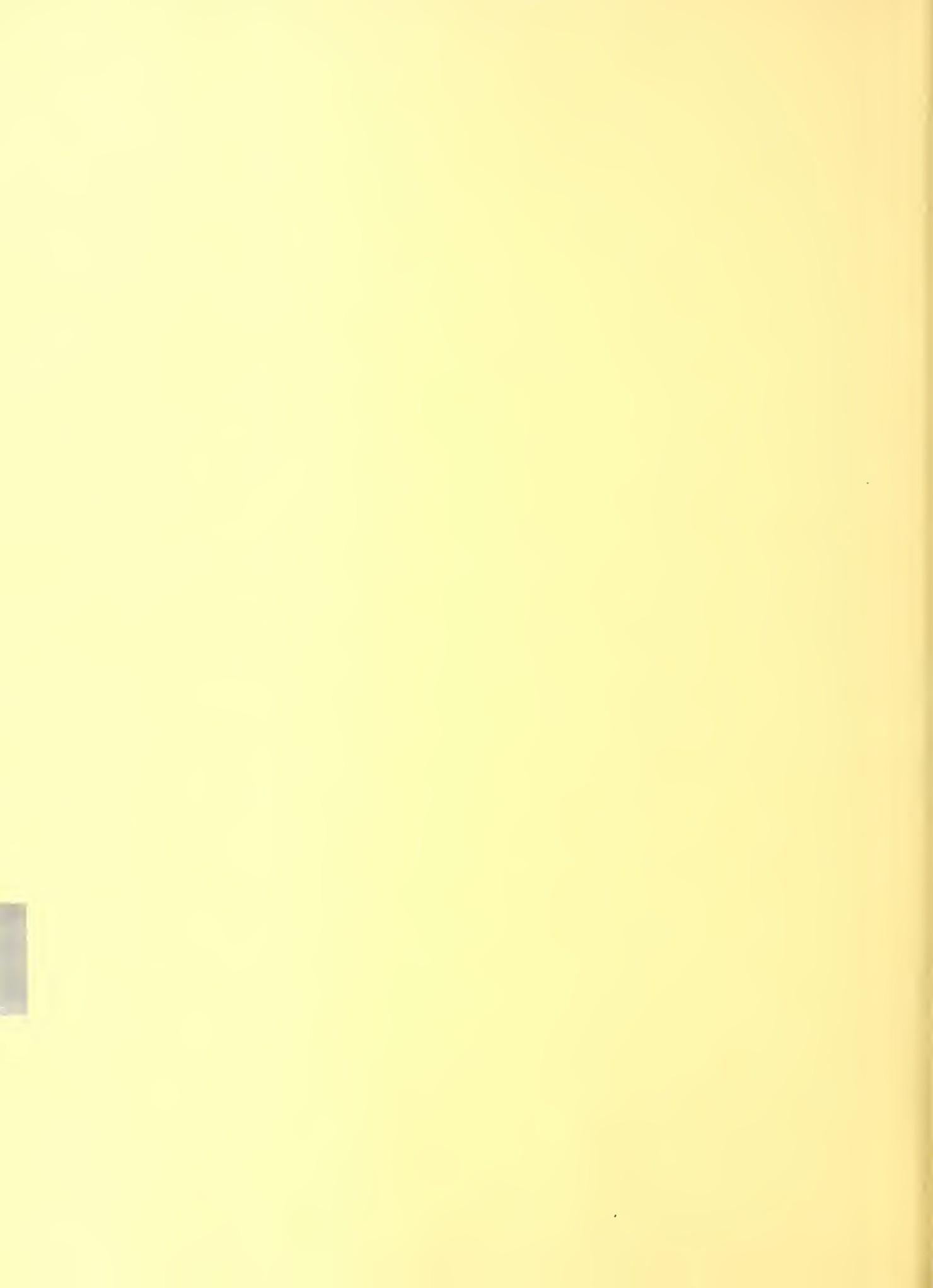
MAY 1, 1941

Read twice and referred to the Committee on Banking and Currency

MAY 15 (legislative day, MAY 8), 1941

Reported with amendments





That is why I hope to see the Senator from Alabama and the others associated with him in our military defense soon present to us the fruits of their studies of the industrial mobilization plan carried on for 20 years, which are all available, and only waiting to be applied. I hope Mr. Earuch and all the others who are familiar with this plan will bring to us a concerted program that shall eliminate the confusion in council which is the inevitable result of the conditions which now prevail. In the consideration of this measure, with which I have no intention to disagree, I would be equally well satisfied if we created a statutory authority for priorities, striking out the last sentence, which provides mandatory powers in the Joint Army and Navy Munitions Board, because I am in full agreement with the committee as to the wisdom of the elimination of that control, but I would go much further than the committee now contemplates. I would follow the lessons of two decades, the fruits of our last tragic experience in war, as the Senator from Vermont [Mr. AUSTIN] pointed out, when for 12 months after the crisis came we drifted along until we discovered that the concentration of industrial procurement was the only way that we could ever accomplish the results this country now desires. In that hope—and I almost say expectation—I trust the Senate will give attention to this problem without very much delay.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 3, lines 6 to 11, inclusive.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The next amendment of the Committee on Military Affairs, was, on page 3, line 12, to strike out:

"(3) The President may exercise any power, authority, or discretion conferred on him by this section through a Director of Priorities (in this paragraph called the 'Director'), whom he is authorized to appoint by and with the advice and consent of the Senate. The Director shall receive compensation at the rate of \$12,000 per annum, and is authorized to appoint and fix the compensation of such officers and employees as may be necessary to carry out his powers under this section. The Director shall exercise his powers under paragraphs (1) and (2) of this section with the assistance of industry committees, which he is hereby directed to establish and utilize, and upon the basis of information furnished to him by such industry committees and upon the basis of such other information as he deems pertinent. Such powers shall be exercised by the Director only after prior approval of such exercise by the Joint Army and Navy Munitions Board."

The amendment was agreed to.

Mr. DANAHER. Mr. President, I offer an amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Connecticut will be stated.

The CHIEF CLERK. On page 3, line 2, after the word "section", it is proposed to insert:

*Provided*, No such inspection shall be made of any private dwelling, occupied as such,

without a warrant directing the search issued in accordance with the requirements of title XI, chapter 30, of the act of June 15, 1917 (Espionage Act).

Mr. HILL. Mr. President, I know of no objection to the amendment.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

The bill is still before the Senate and open to further amendment. If there be no further amendments to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The question now is, Shall the bill pass?

The bill, H. R. 4534, was passed.

Mr. HILL. Mr. President, I move that the Senate insist on its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. REYNOLDS, Mr. JOHNSON of Colorado, Mr. HILL, Mr. AUSTIN, and Mr. BRIDGES conferees on the part of the Senate.

#### CALL OF THE ROLL

Mr. HILL. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Ellender	Norris
Aiken	George	O'Mahoney
Andrews	Gerry	Overton
Austin	Gillette	Pepper
Bailey	Glass	Radcliffe
Ball	Guffey	Reynolds
Bankhead	Gurney	Rosier
Barbour	Hatch	Russell
Barkley	Hayden	Schwartz
Bilbo	Herring	Shipstead
Bone	Hill	Smathers
Brewster	Holman	Smith
Bridges	Hughes	Spencer
Brown	Johnson, Calif.	Stewart
Bulow	Johnson, Colo.	Taft
Bunker	La Follette	Thomas, Okla.
Burton	Langer	Thomas, Utah
Butler	Lee	Truman
Byrd	Lodge	Tunnell
Byrnes	Lucas	Vandenberg
Capper	McCarran	Van Nuys
Chandler	McFarland	Wallgren
Clark, Idaho	McNary	Walsh
Clark, Mo.	Maloney	Wheeler
Connally	Mead	Wiley
Danaher	Murdock	Willis
Downey	Murray	

The PRESIDING OFFICER. Eighty Senators have answered to their names. A quorum is present.

#### EXTENSION OF OPERATIONS OF DISASTER LOAN CORPORATION, ELECTRIC HOME AND FARM AUTHORITY, AND RECONSTRUCTION FINANCE CORPORATION

Mr. BROWN. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 306, Senate bill 1438.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (S. 1438) to extend the operations of the Disaster

Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Michigan.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Banking and Currency with amendments.

The PRESIDING OFFICER. The clerk will state the first committee amendment.

The first amendment of the Committee on Banking and Currency was, on page 2, after line 4, to insert:

Sec. 3. (a) The first sentence of section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting before the period at the end thereof the following: "except as provided in section 4 (a) of the Public Debt Act of 1941."

The amendment was agreed to.

The next amendment was, on page 2, line 11, after the word "is", to strike out "hereby" and insert "further"; at the end of line 12, to strike out "foregoing"; in line 13, after the word "exemptions", to insert "provided for in the preceding sentence"; in line 15, after the word "include", to strike out "sales taxes and use taxes", whether now, heretofore, or hereafter imposed, levied, or assessed, and whether for a past, present, or future taxing period, are hereby extended to apply with respect to Defense Homes Corporation, and" and insert "sales, use, storage, and purchase taxes"; in line 25, after the words "Reconstruction Finance Corporation", to insert "under section 5 (d) of this act, as amended"; on page 3, line 6, after the words "Reconstruction Finance Corporation", to insert "and"; in line 9, after the words "Reconstruction Finance Corporation" to strike out "The" and insert "Such exemptions shall also be construed to be applicable to the"; in line 12, after the word "any", to strike out "such corporation shall be construed as included within such exemptions" and insert "corporation referred to in clause (1), (2), or (3) of the preceding sentence" so as to read:

(b) Section 10 of the Reconstruction Finance Corporation Act, as amended, is further amended by adding at the end thereof the following new sentences: "The exemptions provided for in the preceding sentence with respect to taxation (which shall, for all purposes, be deemed to include sales, use, storage, and purchase taxes) shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Co., the Rubber Reserve Co., and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation under section 5d of this act, as amended, to aid the Government of the United States in its national-defense program, (2) the R. F. C. Mortgage Co., the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, and (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. Such

exemptions shall also be construed to be applicable to the loans made, and personal property owned, by the Reconstruction Finance Corporation or by any corporation referred to in clause (1), (2) or (3) of the preceding sentence."

The amendment was agreed to.

The next amendment was, in section 4, on page 3, line 17, after the word "by", to strike out "renumbering subsections '(2)' and '(3)' thereof as '(3)' and '(4)' respectively.

"(b) Such paragraph is further amended by"; in line 20, after the words "after subsection", to strike out "(1)" and insert "(3)"; at the beginning of line 22, to strike out "(2)" and insert "(4)"; on page 4, line 4, after the word "government", to insert "for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank"; and at the end of line 13, after the word "State", to strike out the semicolon and insert a period, so as to read:

Sec. 4. (a) The fourth paragraph of section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting after subsection (3) thereof the following new subsection:

"(4) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government, for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank. Such loans may be made only upon the security of bonds, debentures, stocks or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State."

The amendment was agreed to.

The next amendment was, on page 4, after line 13, to strike out "(c) Subsection (4) of such paragraph (as herein renumbered) is hereby amended" and insert in lieu thereof "(b) Subsection (3) of such paragraph is hereby amended (1) by inserting after the word 'organize' the words 'at any time prior to July 1, 1943,' and (2)", so as to make the subsection read:

(b) Subsection (3) of such paragraph is hereby amended (1) by inserting after the word "organize" the words "at any time prior to July 1, 1943", and (2) by inserting before the word "power" where it first appears therein the following: "such powers as they may deem necessary in order to expedite the defense program, including, but not limited to."

Mr. DANAHER. Mr. President, with reference to the proposed amendment just stated by the clerk, I assume that the amendment runs through "1943" and the quotation mark in line 18. Is that correct?

The PRESIDING OFFICER. The amendment ends with the numeral "2" in parenthesis on line 18.

Mr. BROWN. Mr. President, may I say to the Senator from Connecticut that we have substantially agreed upon an amendment which will be a substitute for lines 14 to 21 on page 4. If the Senator will let the committee amendments be adopted, then I will suggest the amendment. If the Senator from Connecticut or any other Senator desires an explanation of the bill, I shall be glad to give it.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BROWN. I yield.

Mr. DANAHER. I am not sure we should proceed in that fashion. As a matter of parliamentary inquiry, therefore, I ask whether the effect of proceeding as suggested by the Senator from Michigan will be that if the committee amendment to be proposed shall not be adopted the language in lines 14 to 21 will become law.

Mr. BROWN. I think it would be subject to further amendment; and certainly lines 14 to 21 are better, from the viewpoint of the Senator from Connecticut, than they would be if the committee amendment were not adopted.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BROWN. I yield.

Mr. BARKLEY. As I understand, the Senator from Michigan and the Senator from Ohio have agreed on and will offer jointly an amendment as a substitute for lines 14 to 21.

Mr. BROWN. That is correct.

Mr. BARKLEY. Why not offer that amendment as a substitute now, so that if it should not be adopted the language of the paragraph would remain as it is? If it were adopted, of course, that would settle the matter involved in the amendment.

Mr. BROWN. That course is satisfactory to me if it is to the Senator from Connecticut.

Mr. DANAHER. That course is quite a bit different from the one which we were about to follow, and that particular course is acceptable to me.

Mr. BROWN. On behalf of the Senator from Ohio [Mr. TAFT] and myself, I offer as a substitute for the committee amendment, in lines 14 to 21, the amendment which lies on the clerk's desk, and which I ask to have read.

The PRESIDING OFFICER. The clerk will state the amendment jointly offered by the Senator from Ohio [Mr. TAFT] and the Senator from Michigan [Mr. BROWN].

The CHIEF CLERK. It is proposed, on page 4, to strike out lines 14 to 21, inclusive, and insert in lieu thereof the following:

(b) Subsection (3) of such fourth paragraph is hereby amended to read as follows:

"(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or organize, at any time prior to July 1, 1943, a corporation or corporations, with power (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President; (b) to purchase and lease land; purchase, lease, build, and expand plants; purchase and produce equipment, facilities, machinery, materials, and supplies for the manufacture of strategic and critical ma-

terials, arms, ammunition, and implements of war, any other articles, equipment, facilities and supplies necessary to the national defense, and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith; (c) to lease, sell, or otherwise dispose of such land, plants, facilities, and machinery to others to engage in such manufacture; (d) to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture; (e) to produce, lease, purchase, or otherwise acquire railroad equipment (including rolling stock), and commercial aircraft, and parts, equipment, facilities, and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same; (f) to purchase, lease, build, expand, or otherwise acquire facilities for the training of aviators and to operate or lease, sell, or otherwise dispose of such facilities to others to engage in such training; and (g) to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the amount outstanding at any one time for carrying out this clause (g) shall not exceed \$300,000,000: *Provided*, That except to the extent expressly authorized by clause (e) of this subsection, nothing in this subsection shall be construed to authorize the Corporation to take any action, directly or indirectly, with respect to any project, authority for which (by treaty or otherwise) or expenditures for which, have heretofore been considered and rejected by the Congress since January 1, 1926."

The PRESIDING OFFICER. The question is on agreeing to the proposed substitute for the committee amendment.

Mr. DANAHER. Mr. President, I understand the parliamentary situation now to be that the amendment just stated by the clerk has been offered as a substitute for the committee amendment as reported in the bill.

The PRESIDING OFFICER. And, also, all the way down to line 21.

Mr. DANAHER. Since that becomes a motion to amend by striking out and inserting, I further understand that that would have priority over an amendment which would simply strike out the language from line 15 to line 21, inclusive.

The PRESIDING OFFICER. That is correct.

Mr. DANAHER. Mr. President, it had been my purpose to offer as a proposed amendment a motion to strike out lines 15 to 21, inclusive, on page 4. It seems to me that I might, however, give some point to my comment, such as it will be, by calling attention to the fact that the proposed and pending substitute not only strikes out lines 14 to 21, inclusive, but amends the bill, and thus rewrites the existing law.

The subject of my complaint as to the language may best be stated, I think, if I tell the Senate that in the committee I was very greatly opposed to the language originally submitted, which would authorize the Reconstruction Finance Corporation to create or to organize corporations which would have such powers as the President and the Federal Loan Administrator might deem necessary in order to expedite the defense program. There was no limitation whatever on the purposes for which the corporations could be created. At the sole discretion of the

President and the Federal Loan Administrator, powers would be granted to these corporations which would transcend anything the Reconstruction Finance Corporation itself could do.

Mr. President, it would authorize the formation of corporations in foreign countries. It would authorize the creation of corporations to engage in the railroad business. Under it the Reconstruction Finance Corporation could create corporations which could operate aircraft lines, transoceanic mail services, any form of business whatever that could be said to expedite the defense program.

Mr. AUSTIN. Mr. President, will the Senator yield for a question?

Mr. DANAHER. I yield.

Mr. AUSTIN. Is it the Senator's opinion that under the power proposed to be granted the R. F. C. could create a subordinate corporation, which would nevertheless, have the capacity to construct a deep waterway up the St. Lawrence River?

Mr. DANAHER. Yes. Let me say to the Senator from Vermont that the answer is, "Yes"—or to create the Florida Ship Canal Authority if you choose to call it so, or the Passamaquoddy Authority, or anything of that sort. Such things could be done under the corporate powers that would have been authorized under the bill as it came before us in committee.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. TAFT. The proviso in the amendment I think takes care of those particular projects.

Mr. DANAHER. I agree with the Senator from Ohio, but I am talking about the way the bill came into the committee; I am talking about the way the matter was submitted to the Banking and Currency Committee, and I want to have the Senate realize what over-reaching and seeking for power was submitted to us.

Mr. President, there was considerable discussion, as can be imagined, and it finally reached the point where the Senator from Ohio and the Senator from Michigan have now suggested language which would delineate certain powers which corporations may have, corporations to be created, nonetheless, by the R. F. C.; but the powers now to be granted, allegedly, of course, in furtherance of the national-defense program, have appended to them an all-inclusive catch-all which appears in the proposed substitute at page 2 and which I will read. It is subclause (g):

And to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the amount outstanding at any one time for carrying out this clause (g) shall not exceed \$300,000,000.

As the Senator from Ohio has intimated, we have now reached the point where, disregarding the question of principle involved, we nonetheless say that the R. F. C. may create all the corporations it chooses to engage in any type of business it chooses only so long as it shall be said to be in expedition of the

national-defense program, subject, however, to a \$300,000,000 all-over total limit, with the additional proviso—

Mr. BROWN. Mr. President, will the Senator yield at that point?

Mr. DANAHER. I yield.

Mr. BROWN. I do not know whether the Senator is going on to state the limitations provided in the amendment, but I think at this point they should be stated. First, there is a limitation that this power shall expire on July 1, 1943. Second, there is a limitation—

Mr. DANAHER. Will the Senator yield there?

Mr. BROWN. Certainly.

Mr. DANAHER. Granted that the powers in the R. F. C. to create corporations will expire on July 1, 1943, the powers or the life of the corporations to be created are not limited in any way in point of time, are they?

Mr. BROWN. They are limited further by the fact that they must be based on the national-defense program. This action may only be taken to expedite the national-defense program.

The grant of authority is further limited by the provision that no project which Congress has heretofore considered and has rejected—such projects as the Senator mentioned, the Passamaquoddy Canal, the St. Lawrence waterway—no project which has been before the Congress for decision since January 1, 1926, may be undertaken by the Reconstruction Finance Corporation. It seemed to me in the Senator's statement that he did not mention, as I think he should, in connection with what he denominates as a grab for power, that upon the Federal Loan Administrator being questioned as to whether or not there was in mind any such proposition as the St. Lawrence waterway or the Passamaquoddy Canal or any other public work of that kind, the Federal Loan Administrator immediately stated that nothing of that kind was in contemplation; and the Senator from Michigan was ready to accept any amendment that would cover that situation.

A suggestion was made that a letter be written along that line, but the Senator from Michigan said that he did not think that a letter would be sufficient; that we should find some means of writing the limitation in the statute. I think the Senator from Connecticut, if he would be perfectly fair to the Senator from Michigan, would say that it was the Senator from Michigan who suggested to the chairman and to the committee that he join with the Senator from Ohio in drafting an amendment for the purpose of covering these matters, and that the Senator from Ohio and the Senator from Michigan did suggest an amendment, and had come to the conclusion that there ought to be a limited sum of money set aside for such purposes in connection with the operations of the R. F. C., either directly, or through such corporations as might be created, as would cover situations which we could not now foresee. Such situations are arising continually, and I think there should be some leeway granted to the present Federal Loan Administrator in

that regard. So the Senator from Ohio and the Senator from Michigan, representing, I think, the majority and minority views of the Senate, attempted to do so, and we think we have drafted a reasonably good amendment for that purpose.

Mr. DANAHER. Mr. President, the Senator from Michigan will recall that I got as far as the word "proviso" in the proposed amendment, as was about to explain the proviso and was about to give the history and background of it when, in my time, but with my complacent permission, he has gone ahead and given this explanation. I will also say to the Senator from Michigan that I do not resent that in any way, for I not only want always to be fair to the Senator from Michigan but to all other Senators who voiced opinions in the committee, and there were several which coincided, as it happened. But there was a minority view, let me say, and the minority was helplessly outvoted when certain Senators were possessed of the votes of certain other absent Senators, and the result was that the bill was assigned to a subcommittee consisting of the Senator from Michigan and the Senator from Ohio in an attempt to reconcile the different points of view.

Mr. TAFT. Mr. President, will the Senator yield for a moment?

Mr. DANAHER. I yield.

Mr. TAFT. Of course, what happened was that the bill was recommended by the committee, and then the Senator from Michigan and the Senator from Ohio were told that they could get together and agree to an amendment that would be presented on the floor, if they could agree; but the committee did not wait for any such amendment. It went ahead and recommended the bill in its original form. That is the actual history of the proceedings.

Mr. BROWN. Mr. President, will the Senator from Connecticut yield to me for a moment further?

Mr. DANAHER. I yield.

Mr. BROWN. I think when the majority there had the votes and could have reported the bill without any arrangement for the conference between the Senator from Ohio and myself, that the minority ought to concede us some generosity and ought to say that we went much further than some committees of the Senate have gone under similar circumstances; that we strove mightily to agree, and we have agreed with one of the senior members of the minority on the committee. I think the Senator from Connecticut ought to attribute to us a little more generosity than usually occurs under similar circumstances.

Mr. DANAHER. I will accord to the Senator from Michigan generosity in the fullest terms; I will even grant that he may use his own superlative. My point, and the point I want the Senate to grasp, is that last year, less than 10 months ago, Mr. Jones came before our committee and sought powers to do a great many things through the R. F. C. and the creature corporations to be organized by it; that we at that time canvassed fully the needs for our national defense as they were explained to us in the committee

at that particular time, and we wrote legislation which is the present law and which I shall state forthwith in full:

When requested by the Federal Loan Administrator, with the approval of the President, to create or organize a corporation or corporations, with \* \* \* power (a) to produce, acquire, and carry strategic and critical materials as defined by the President, (b) to purchase and lease land—

The word "land" being followed by a comma; not a semicolon, the way it is now in the pending amendment, but a comma—

to purchase, lease, build, and expand plants, and to purchase and produce equipment, supplies, and machinery, for the manufacture of arms, ammunition, and implements of war, (c) to lease such plants to private corporations to engage in such manufacture, and (d) if the President finds that it is necessary for a Government agency to engage in such manufacture, to engage in such manufacture itself. The Corporation may make loans to, or purchase the capital stock of, any such corporation for any purpose within the powers of the Corporation as above set forth related to the national-defense program on such terms and conditions as the Corporation may determine.

Mr. President, we wrote that language in the Banking and Currency Committee; and not only did Mr. Jones himself then feel that the powers were ample, but, indeed, he said they were greater than he wanted.

Mr. President, under the authority thus created there has been created the Rubber Reserve Co., with commitments of over \$200,000,000; the Metals Reserve Co., with commitments of over \$600,000,-000; the Defense Plant Corporation, with commitments of over \$500,000,000; the Defense Supplies Corporation, with commitments of over \$119,600,000; and the R. F. C. defense loans of over \$194,000,-000; total commitments of over \$1,630,-000,000. It would seem that ample power and ample authority have been granted to the R. F. C. and its subsidiary corporations when we stop and realize that of the defense loans made by R. F. C., 288 such loans have been made to 217 private manufacturers in an amount aggregating \$194,000,000.

The R. F. C. has cooperated with banks in making loans for production, plant expansion, or other national-defense purposes, by taking participations in any such loans; and where the bank wishes to carry the entire loan, the Corporation gives a definite take-out agreement under the rates now in effect, or such as may be agreed upon.

I am reading from the R. F. C.'s report in that particular.

Now let us see how extensive the operations may be if we undertake to adopt the particular language submitted by the subcommittee.

Mr. Jones says—and I read from the hearings, page 19:

We have outstanding now \$2,100,000,000 in loans and investments. That includes bank stocks and everything else. We have authorized a total of something over \$13,000,000,000. About \$2,700,000,000 of that has been canceled for one cause or another. We have actually disbursed for loans and investments a little over eight and one-half billion dollars. We have collected about \$6,400,000,000, or a little over 75 percent. We have out-

standing \$2,100,000,000. We have commitments for about \$2,225,000,000. We could make commitments today in addition to that of about a billion dollars. So that we do need, if we are to continue in the defense program, some additional lending authority.

Mr. President, the proposed additional lending authority appears in section 5, on page 4, of the bill, and it reads:

The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased by \$1,500,000,000.

In addition to all funds available from the R. F. C.'s investments, and, Mr. President, in addition to the \$1,000,000,000 on hand and uncommitted, their authorization will be increased again by \$1,500,-000,000 more. We are creating a super-government. We are authorizing two people—the President and the Federal Loan Administrator—to create and organize any corporations, within the purview of the submitted language, to do any of the things therein mentioned without ever coming back again to the Congress, without any review by the committees of the Congress as to the need or the alleged need for the program. There is no control whatever over their discretion, unless we are to find it in the good judgment of the men themselves.

Mr. President, the question of principle involved there is serious. It seems to me we ought to correlate the language of the powers that we granted to the R. F. C. last year with what is now proposed in the pending amendment. Notice this, Mr. President: Not only will these corporations, when created, have power to produce, acquire, carry and sell these strategic and critical materials—a power which we gave them last year—but they are given power this time "or otherwise to deal in such materials."

Mr. President, we give them this time power "to purchase and lease land," followed by a semicolon—that is the way it is written—not for any purpose related in any way whatever to the defense program, as was the case in the language last year. In addition, they are authorized to go on and "purchase and produce equipment, facilities"—that is a new word. What does that mean—"facilities"? "Machinery, materials, and supplies for the manufacture of strategic and critical materials, arms, ammunition, and implements of war."

We are giving them power to create facilities of an undefined nature, as to which there was not even one word of testimony submitted before our committee.

Mr. BROWN. Mr. President, will the Senator yield?

Mr. DANAHER. Yes; I yield.

Mr. BROWN. I do not want the Senator's statement at that point to go unchallenged. My construction of the bill and of the language to which the Senator has just referred in the amendment is that none of these corporations may be organized, nor may money be loaned to them, nor may the stock in them be purchased by the R. F. C., unless it is considered by the President and the Federal Loan Administrator to be necessary to the national defense.

In other words, regardless of what the Senator may say about the punctuation, I construe the entire clause (b) of section 3 to which the Senator has just referred to be modified by the phrase "necessary to the national defense." It is also modified by existing law immediately preceding section (b)—I think I have it here—by the phrase which the amendment does not in any way affect, but which affects the amendment:

In order to aid the Government of the United States in its national-defense program.

It is my construction of the language that everything said in this section, every clause in it, is based upon the necessities of the national defense, and that none of these things may be done unless it advances the interests of national defense.

Mr. DANAHER. Mr. President, will the Senator respond to an inquiry or two? Did we have any discussion the other day, or at any other time that the Senator knows, or any testimony concerning the authority of these corporations to deal in strategic and critical materials?

Mr. BROWN. That is in the present law.

Mr. DANAHER. No, Mr. President.

Mr. BROWN. Yes, it is.

Mr. DANAHER. I will read it to the Senator. I have already read it once; but subclause (a) reads:

to produce, acquire, and carry strategic and critical materials as defined by the President.

And the reason why it was limited was—

Mr. BROWN. I do not know how they could acquire them or carry them unless they deal in them.

Mr. DANAHER. Mr. President, the Senator from Michigan as a lawyer knows better than to insist that any such construction is either admissible or necessary. The interpolation of the words "deal in" is very deliberate, and I am wondering who did it. Is it the idea of the Senator from Michigan?

Mr. BROWN. It is the idea of the Senator from Michigan and the idea of the Senator from Ohio [Mr. TAFT].

Mr. DANAHER. Did the Senators base the idea on any testimony before us that these corporations should deal in these materials?

Mr. BROWN. Certainly not, because the Senator from Ohio and the Senator from Michigan were instructed by the committee to get together and endeavor to agree upon an amendment which we could submit to the Senate. The Senator from Ohio and the Senator from Michigan got advice from the general counsel of the R. F. C., who was by the chairman of the committee requested to sit with us, and we also got advice from the legislative counsel of the Senate, and we accepted that language.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. DANAHER. Just a minute.

Mr. TAFT. Mr. President—

Mr. DANAHER. I have the floor, if the Senator please. I shall be glad to yield, let me say to the Senator from Ohio, but I want it to become perfectly apparent that neither the general coun-

sel of the R. F. C. nor anyone else gave the committee any testimony as to the necessity for dealing in strategic or critical materials. No one explained to our committee the need for any such power as that. I merely want that to be perfectly clear.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. TAFT. The situation is that the Senate committee approved a bill which gave the R. F. C. absolute, complete, unlimited power to do anything. I said that I objected to that provision; that as to anything the R. F. C. should name which had any relation to national defense I would be willing to give them such power, but that they should specify what they desired and should not have the door wide open to do anything in the world. So they came in and said, "Here is something we want to do." It seemed to me that cut down the general powers which the committee had already granted—much broader than I thought they should be—and I followed the principle I have stated, in agreeing to any specific request for power which the R. F. C. sought. I do not think it required testimony, because the committee had gone much beyond that. It had said, "You can do anything you please."

Mr. DANAHER. So that it comes down to this, that the Senator from Ohio really was accepting a compromise which was less than the complete and blanket authority previously given?

Mr. TAFT. Exactly. And in general, I may say, my objection was not to the specific powers asked; my objection was to the grant of all-covering, general power to do anything in the world.

Mr. AUSTIN. Mr. President, will the Senator yield for a question?

Mr. DANAHER. I yield.

Mr. AUSTIN. The first time this idea was brought to my attention it shocked me. The idea that we could turn over to an agency of the Government the function of sovereignty to such an extent that it could create something with greater powers than those with which it was invested, is shocking, and I make the claim that on principle we cannot do that. It is like attempting to lift ourselves by our own boot straps. The idea of investing a corporation such as the Reconstruction Finance Corporation with the authority, in blank, to create a subordinate or subsidiary corporation with greater powers than it enjoys itself, is preposterous.

Mr. DANAHER. Mr. President, I am delighted to see that the Senator from Vermont shares exactly the attitude of the Senator from Ohio and the Senator from Connecticut, for when we sat in the committee the other day, appalled—that was our word—appalled at the grant of power that was being solicited from us, I cannot doubt that the Senator from Ohio was glad to take anything less than the complete and blanket extension of power that was being sought and claimed.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. DANAHER. I will yield in a second. Let me say also to the Senator from Vermont that there is not any requirement in law that these creature corporations

shall even so much as file their charters anywhere. We cannot find them recorded with the Congress, or with the Secretary of the Senate, or with any other public authority. They are downtown in some office somewhere. I now yield to the Senator from Ohio.

Mr. TAFT. I wish to say to the Senator, first, that I shall offer an amendment, which I think will be acceptable to the Senator in charge of the bill, providing that the charters must be filed, so that we will definitely know what we are providing.

In the second place, it may be impossible to create a corporation with more power than the R. F. C. itself has; but it has been done. There are four such corporations operating today. I could only say that, regardless of the legal argument, it is not impossible, because it actually is happening today in this country, and these corporations have spent millions of dollars. They are the Defense Plant Corporation, the Defense Supplies Corporation, and two others, I think. So that while I do not think it is very sound, I cannot legitimately object at the present time.

Mr. DANAHER. Mr. President, turning to page 2 of the pending amendment, these creature corporations provided for in subclause (e) are to be given the power—

to produce, lease, purchase, or otherwise acquire railroad equipment—including railroad stock—and commercial aircraft and parts, equipment, facilities, and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same.

Mr. BROWN. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. BROWN. I wish to state first to the Senator the reason back of this proposition. I think it is better, with the Senator's permission, that I do so now rather than attempt to answer questions categorically later on.

Mr. DANAHER. I yield to the Senator.

Mr. BROWN. The Senator knows that 85 percent of our iron ore goes through the "Soo" canal in northeastern Michigan. That canal consists of four locks, three of which are active and one inactive, and one on the Canadian side, on St. Marys River.

It being but about 600 miles from there to Hudson Bay, there is no question that it is entirely possible if an aircraft carrier under the control of an enemy government should get into the south end of Hudson Bay, those locks might be destroyed by one or two fortunate shots. If so, the situation with respect to getting ore from the Mesabi Range, in Minnesota, and from the Marquette and Gogebic ranges in Michigan, would be very difficult. Already, I can say to the Senator—and I am not revealing any secrets—there has been in contemplation the construction of a railroad, which would to a very great extent relieve such a situation if it should arise. If the Senator has the geography of the Great Lakes region in mind, there is a railroad from Duluth to the northwest corner of Lake Michigan, but it is a single-track

railroad, in a bad state of repair. A double-track line could be constructed there, and the ore carried from the Mesabi Range, which is the big producer in the Lake Superior area, to the ports of Escanaba and Manistique, and possibly Menominee, on Lake Michigan.

The railroads have advised that there are not sufficient ore-carrying cars in existence to do anything more than take care of the necessities of hauling ore from the mines to the water at Duluth, on Lake Superior, and to the Lake Michigan ports. If they had to haul the ore from Duluth and Superior all the way through the Chicago gateway, down to the Cleveland-Pittsburgh area, it would be impossible to do the job with the present railroad equipment.

Therefore, there is granted in the bill power to improve and construct railroads, because that short haul would still enable the use of the ore carriers on the Great Lakes; and it may be surprising to the Senator and other Members of the Senate to learn that the equivalent of from 200 to 250 cars of ore is carried in one 600-foot ore carrier on the Great Lakes, a quantity which is equal to 3 or 4 full trainloads. We must have this combination of rail-and-water haul. Therefore, we provide, through this Government agency, a means of meeting that situation.

Second, Admiral Land, in his testimony before the Committee on Commerce on the shipping bill a few days ago, stated that one of the sources from which ships could be obtained for use in the trans-Atlantic trade was by the elimination of the coastwise trade, we will say, from Oregon and Washington to Los Angeles and around through the Canal to New York, and likewise along the Atlantic seaboard, in which there are many ships which could be used in the trans-Atlantic trade. If that were done, it would mean that the railroads would have to acquire much additional equipment in the way of cars. The Senator does not think that a private corporation, such as a railroad, would willingly enter into the purchase of a tremendous amount of additional equipment if it were known that immediately upon the cessation of the war all these ships would be brought back and put in the coastwise trade. Therefore, because of those two examples, and many others that could be given to the Senator from Connecticut, it was felt that there ought to be a Government agency somewhere which could speedily, without delay, acquire that equipment. That is why clause (e) is in the amendment.

Mr. DANAHER. Mr. President, I hold in my hand the Reconstruction Finance Corporation Act. In section 5 we find that the R. F. C. is authorized now to aid in financing agriculture, commerce, and industry. We find that—

Within the foregoing limitations of this section, the Corporation, notwithstanding any limitation of law as to maturity, with the approval of the Interstate Commerce Commission, including approval of the price to be paid, namely, to aid in the financing, reorganization, consolidation, maintenance, or construction thereof, purchase for itself, or for account of a railroad obligated thereon,

the obligations of railroads engaged in interstate commerce, including equipment trust certificates, or guarantee the payment of the principal of and/or interest on such obligations including equipment trust certificates, or when in the opinion of the Corporation, funds are not available on reasonable terms through private channels, make loans, upon full and adequate security, to such railroads.

And so forth.

Mr. BROWN. Will the Senator yield there?

Mr. DANAHER. Yes; I yield.

Mr. BROWN. I call attention to the fact that in the section the Senator just read there is no authority to buy railroad equipment. Under that section all the R. F. C. could do would be to loan money to railroads to buy the cars. As I stated before—and I think upon sound reason—the railroads would not willingly, unless forced, buy the additional equipment, because they know that the use for that equipment might cease at any moment. This bill merely expands that authority, so that in cases where it cannot get the railroads to do this job the Government in this emergency may step in and buy railroad equipment.

Mr. DANAHER. Mr. President, there is no doubt that the R. F. C. cannot operate all this other business at the present time without constantly invading every field, extending this interposition of the use of Government funds through Government operation of R. F. C.'s creature corporations which it authorizes and would now further authorize beyond the powers of the R. F. C. itself. Mr. President, when you take into account the principle—and it is an important principle—which is involved in this type of legislation, just recall by way of contrast what the situation was when R. F. C. was created. Having in mind what the situation then was, let us read subsection (g) again of the pending proposed substitute. The R. F. C. would be authorized to create corporations—

To take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program.

And the two officials can decide—not a committee of the Congress, not the people, not upon some program we have appropriated for, but upon some item they have in mind—just so long as they say it is in furtherance of the national-defense program. As to most of it there is no limit; as to subclause (g) there is a ceiling on it of \$300,000,000.

Now, Mr. President, I submit—and this is the burden of my whole discussion, both in the committee and out—that we are extending a principle here contrary to anything this Government has ever known, far away and beyond anything the Congress has hitherto authorized. The Senator from Ohio brought out the other day, when questioning Mr. Jones, that there was no depositary for the charters of these creature corporations. He asked the Administrator: How can we tell all the powers the existing corporations have? Who is going to get a look at the charters of the Rubber Reserve Co., if you choose, or the Metals Reserve Co., or any other one of these units?

Mr. President, I submit that when the money of the American people to the tune, in the aggregate of about \$13,000,000, can be used to create a supergovernment, it is time that we take some steps to inquire into the ultimate purposes and the motivating forces back of this demand. That is why I was asking, under what circumstances, and without the testimony of anybody before us as to the alleged need for these powers, this particular result should be achieved.

Of course, I understand the situation of the Senator from Ohio. He was glad to save anything out of what the committee through the majority had already reported out. Under the circumstances, Mr. President, I suppose that having voiced a protest I will still vote for the bill; having expressed my views with reference to the thing we, on the one hand, can do no more than vote against the bill if we chose, but in that way would hamper much of what is obviously legitimate. But I am reluctant to vote against the whole bill because there is so much that is good in the bill; there are so many things in it we want that I suppose we have to take it, that we just about have got to vote for the bill in order to get the desirable features of it. Mr. President, I am being generous to the Senator from Michigan, as he said I should be, and certainly in all fairness to him I must say that he and the Senator from Ohio [Mr. TAFT] have worked out a measure which does define and delimit, to some extent at least, some of the powers which hitherto were sought. To that extent, Mr. President, the proposed substitute is more desirable, I dare say, than striking everything out, and I leave the matter with the Senate with those views.

Mr. BROWN. I may say that, generally speaking, the bill, in section 4, makes some additions to the authority granted the R. F. C. in the act which was originally passed 1 year ago. There is no question that additional authority is granted to the R. F. C.. What that additional authority is has been stated in the debate between the Senator from Connecticut and myself. We all well know that the situation has vastly changed from May 1940 to May 1941. I shall not take the time to go into each item of this authority, but the principal proposition to which the Senator from Connecticut objects is what he calls the "catch all" or "carry all" clause, the last one in the measure.

Mr. President, \$300,000,000 is less than 1 percent of the sum of money which we have, in effect, turned over to the President of the United States under the various war appropriation bills, and for which we have estimated. I just inquired of the senior Senator from Colorado [Mr. ADAMS], and his recollection agrees with mine, that we will spend approximately \$39,000,000,000 in the defense program as now outlined. Twenty-six billion dollars of it will be spent in the next fiscal year. Having in mind the sum of \$300,000,000, which, as I say, is much less than 1 percent of the total sum, while it is large in itself, a tremendous sum of money, yet comparatively speaking it is a very little sum to turn over to this corporation, the R. F. C., which can act promptly, which has considerable power and considerable

latitude, as it should have in order to meet conditions which we cannot now foresee.

That is all clause (g) of the bill does. As I have previously said, it is limited to purposes of national defense. The right to make the loans expires on July 1, 1943. The loans may not cover any public work or any proposal which has been before the Congress and which has been rejected since January 1, 1926. That means that under the limitation in the bill all such projects as Passamaquoddy, the St. Lawrence waterway, and other public works such as the Tombigbee River project, and so forth, cannot possibly be undertaken by the Reconstruction Finance Corporation.

It seems to me that everyone must realize—and we have heard this argument time and time again—that under present circumstances we must do things which we would not do in ordinary times. The bill provides full control over the ultimate appropriation, a limitation of time, and an express limitation as to money, which is less than 1 percent of our proposed national-defense expenditures. I think many members of the committee on both sides have as I have, the utmost confidence in the Federal Loan Administrator and his efficient staff. In the Banking and Currency Committee Republicans and Democrats alike vied in praising the administration of the loan acts by Mr. Jones and the Board of Directors of the Reconstruction Finance Corporation, and the officials of that organization, and we have full confidence in the President of the United States, who must approve all such expenditures.

In order to make the record clear I think I should mention other things which the bill does. It extends the life of the Electric Home and Farm Authority, which is the governmental lending agency which discounts the paper of dealers who sell electrical equipment, such as flatirons, washing machines, and things of that kind to the general public, particularly in the small towns and far-away places. The Authority has brought discount rates down from somewhere around 11 percent to 5 percent, I believe, and its operation has been quite universally applauded. The bill extends the life of that corporation and its authority to make such discount loans until 1947, which is the time when the life of the Reconstruction Finance Corporation expires.

Second. It extends until January 22, 1947, which is likewise the date when the authority of the Reconstruction Finance Corporation to operate as a lending agency expires, the authority of the Disaster Loan Corporation to do business, so far as the Government can, to assist those who suffer from catastrophes of various kinds, such as floods, storms, tornadoes, and so forth.

This is the agency which was created under the bill of the majority leader to take care of sufferers in the Ohio Valley and in the Connecticut Valley and elsewhere, and which has done such splendid work in taking care of the victims of the disaster known as the New England tornado, which occurred in New England in September 1939. The work there has been quite universally commended. I re-

call that in the hearings the junior Senator from New Hampshire [Mr. TOBEY] highly praised the efficient way in which the Disaster Loan Corporation had taken care of sufferers from the catastrophe to New England.

Third. The bill applies the principle of tax exemption on the part of the Government itself to the creatures of the Reconstruction Finance Corporation, all of which must be public corporations. Let me say that, as Senators know, I have been addressing myself to the problem of tax exemption; and I think Senators have confidence that I would not approve any bill which would extend or expand tax immunity. We have particularly provided in the pending bill that the obligations of the Reconstruction Finance Corporation, like the obligations of the Government itself, shall be subject to income taxation, both as to interest and as to gain. We apply the principle of exemption to sales, use, purchase, and storage taxes, which is in line with the principle which the Finance Committee presented to the Senate, and which was adopted in what was commonly known as the Buck bill, which I had the honor of handling on the floor of the Senate.

Briefly, the Reconstruction Finance Corporation and its creatures are granted the same immunity which the Government itself has. I may say that the general problem of tax immunity and tax exemption is the subject of study on the part of a subcommittee of the Finance Committee at the present time. I myself am not in complete agreement with all that is provided in this section relative to tax exemption. I feel that it is a problem which ought to be studied at some future time by the Finance Committee, which is the tax committee of the Senate. That burden is heavy upon several of us on the committee. I am satisfied that the pending bill does not extend the principle which has been followed in the past.

Fourth. And this point has not been mentioned—the bill provides that the Reconstruction Finance Corporation may loan upon securities owned by foreign governments in the United States, such securities to consist of municipal bonds, governmental bonds, and securities of corporations within the United States. The purpose behind that provision is to enable a more orderly liquidation of the securities of foreign governments and of the citizens of foreign governments which have been turned over to foreign governments in the United States. I think the Senator from Connecticut added a very valuable amendment, which has already been agreed to, and which very well states the purpose of the section. I refer to the amendment which provides that the loans shall be made "for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank." The general idea is to prevent a hasty sale, which is often unfortunate to the owners of a corporation, and at the same time to prevent throwing upon the American market a large amount of securities owned by citizens of foreign nations. The security must be sound.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BROWN. I yield.

Mr. DANAHER. Earlier I asked the Senator from Michigan, when he referred to the fact that the power to create the corporations would expire on July 1, 1943, if there was any limitation upon the life or existence of the corporations to be created. He did not answer that question. There is no such limitation, is there?

Mr. BROWN. The right of the Reconstruction Finance Corporation to lend money, to buy stock, or to create corporations expires on January 1 or July 1, 1947.

Mr. DANAHER. That is the power of the Reconstruction Finance Corporation; but that has nothing to do with the life of the corporations which it creates. Inasmuch as the Reconstruction Finance Corporation counsel is sitting beside the Senator, let me ask him if he will not agree to an amendment which would limit the life of the corporations thus created coincident with that of the Reconstruction Finance Corporation?

Mr. BROWN. I will say to the Senator from Connecticut that it would be impossible to do that, because so many activities of the corporations would have to be wound up, and some time would be required to wind them up. I have addressed my mind to that problem. I am unwilling to accept such an amendment; but as a result of our discussions on this general question in the Banking and Currency Committee I have come to the conclusion that some arrangement ought to be set up, possibly in the Treasury Department, by which the affairs of such corporations, when the emergency is over—if it ever is over—may be wound up by one central agency.

I am in agreement with the principles the Senator from Connecticut announces; but, without full hearings and a full understanding of the entire situation, hearing the testimony of Mr. Jones, Mr. Schram, Mr. Hamilton, and of the officers and directors of the Disaster Loan Corporation, the Defense Homes Corporation, and the other corporations, I would be unwilling at the present time to accept the amendments. We must find some means of having a central agency to wind up these corporations after their right to do business expires. I think their right to do business could not expire on January 1 or January 22 of 1947, because the doing of business naturally includes buying and selling and acquiring various kinds of property. There should be some sort of a general receivership for the purpose of winding up these corporations; but I hope the Senator from Connecticut will not insist upon the present consideration of that matter, because my judgment on it would be based merely upon guess, and I would be without accurate information which I feel I should have in order to act upon a proposal of this kind.

Mr. DANAHER. Mr. President, will the Senator yield further?

Mr. BROWN. I yield.

Mr. DANAHER. We did not have any difficulty in extending the life of the Disaster Loan Corporation, in the very first section of the pending bill. The Disaster

Loan Corporation by the terms of the law originally creating it would expire on June 30, 1941; so the Congress, which I hope will be here until 1947, also will be able to extend on January 22, 1947, the life of these creature corporations, if any such extension shall be needed. There is no reason why we could not now provide that the life of the corporations to be created shall terminate with the powers of the R. F. C.; is there?

Mr. BROWN. The Senator from Connecticut might be willing to do that; but I certainly would not advise those to whom I am talking in the Senate to agree with the Senator from Connecticut on that point. I think it is a big problem. I do not know what dissolution consists of, I do not know what business the Disaster Loan Corporation would have to go through with after January 1, 1947, or after the year 1947.

Mr. DANAHER. Mr. President, will the Senator yield at that point?

Mr. BROWN. I think that the Senator from Connecticut ought to see—as I am satisfied he will, upon calm contemplation—that that is a problem which we shall have plenty of time to solve, and a problem which we ought to meet only after full and adequate knowledge on our part of the entire situation.

Mr. O'MAHONEY. Mr. President, will the Senator yield for a question?

Mr. BROWN. The Senator from Connecticut first asked me to yield; therefore I yield to him.

Mr. DANAHER. May I point out to the Senator from Michigan what is involved in connection with that matter? The other day it took us about 8 minutes to extend the life of the Disaster Loan Corporation from 1941 to 1947. We can extend the life of a creature corporation on more notice, if it comes to that; but if Senators will consider the proposed amendment they will find that whereas the existing law has authorized these creature corporations to manufacture arms, and munitions, and implements of war, the proposed amendment will let the corporations engage in the manufacture of any other articles, equipment, facilities, and supplies necessary to the national defense, and that is not all—

and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith.

Mr. President, there is no limitation whatever on the extent to which public funds may be used from the two-and-one-half-billion-dollar authorized and uncommitted capital the R. F. C. now has available.

Mr. BROWN. After 1947, where will these corporations get their money?

Mr. DANAHER. Mr. President, will the Senator yield at that point?

Mr. BROWN. I yield.

Mr. DANAHER. I will answer that question. Mr. President, let me point out that, one after another, these corporations are being created under the aegis of the Reconstruction Finance Corporation; and they in turn can create a corporation in the State represented by the Senator from Missouri, for instance, to operate a Remington Arms

plant there, or can create a corporation at Omaha to build a plant for the manufacture of Martin bombers. That would be all right. That would be a defense measure. We do not need this blanket authority to extend the power of the R. F. C. to meet such needs.

Let us see what the R. F. C. already has done by way of loans to corporations. It has provided for construction and equipment for manufacture of precision aircraft parts; construction and equipment for manufacture of ammunition brass and ammunition cups; construction and equipment for manufacture of machine tools; construction and equipment for manufacture of aircraft parts, accessories, instruments, ignition devices; equipment for manufacture of universal joints for military trucks; construction and equipment for manufacture of aircraft parts, carburetors, landing gear; construction and equipment for manufacture of aircraft radio devices and instruments; construction and equipment for manufacture of aircraft; construction and equipment for manufacture of cartridge cases; equipment for manufacture of complete outer wings for aircraft; purchase of machine-gun plant; equipment for manufacture of machine guns; construction and equipment for manufacture of ammunition brass and cartridge casings; equipment for manufacture of aircraft fuselage sections; equipment for manufacture of aluminum alloy forgings for aircraft; equipment for manufacture of aircraft struts and other aircraft products; purchase of machine-gun plant; equipment for manufacture of nitric acid manufacturing equipment. The R. F. C. has gone through almost the entire gamut, and yet continuous power is being sought, without even an agreement on the limitation of the authority of the creature corporations.

Mr. President, I submit that if that situation does not point out the need of future limitations upon the grant of power and authority to this super-government, I do not know what does.

I thank the Senator for yielding to me.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BROWN. I yield.

Mr. O'MAHONEY. I may say that I have been somewhat impressed by the remarks of the Senator from Connecticut, although I appreciate that the importance of having action upon the pending legislation might make one hesitate to demand too vociferously amendments to the bill to which obviously the Committee on Banking and Currency has given a good deal of consideration—consideration which, as I understand, has resulted in an agreement between the Senator from Michigan [Mr. BROWN] and the Senator from Ohio [Mr. TAFT] and other Senators, by which limitations have been placed on the authority.

However, I desired to ask the Senator if under the original measure which authorized the Reconstruction Finance Corporation—which is itself a corporation—to create other corporations there is not a provision specifying the life of the new organizations. May the Reconstruction

Finance Corporation create a corporation for an unlimited time?

Mr. BROWN. I may say to the Senator from Wyoming that that power is provided by existing law. The pending bill does not add anything to that.

Mr. O'MAHONEY. Yes; I was asking about the existing law.

Mr. BROWN. Under the existing law, I will say to the Senator, there is no limitation.

Mr. O'MAHONEY. Then, under the present law, as I understand, the Reconstruction Finance Corporation, which has been created by Congress with a limited life and which must, when that period of life expires, come to Congress to obtain a new charter of existence, may itself bring into existence artificial beings of unlimited life?

Mr. BROWN. Unlimited life, but absolutely no financial nourishment after 1947.

I think the Senator is correct, and I think the Senator from Connecticut is correct on the general proposition.

Mr. DANAHER. Mr. President, I did not hear what the Senator from Michigan said. Did he say that I am correct?

Mr. BROWN. The Senator from Connecticut is correct almost all the time, but not all the time.

Mr. DANAHER. I inquire whether the Senator from Michigan said that now I am correct.

Mr. BROWN. I say that the Senator from Wyoming and the Senator from Connecticut probably are correct in their general proposition that there should be a limitation upon the time these corporations may exist. I say that after 1947 these corporations cannot be nourished by any financial aid from the Reconstruction Finance Corporation; and, as a matter of practical common sense, I believe that after that time they simply will go out of existence.

I have not the slightest objection to studying this subject and putting a limitation upon the corporations; but I do not think we should do so in the pending bill. The bill does not deal in any manner whatsoever with the subject of incorporation, except slightly to extend to some other activities the present existing power with respect to the chartering of corporations.

I will say to the Senator from Wyoming that a great many lawyers, the Senator from Colorado and some others, including the Senator from Michigan, doubted the advisability a year ago of authorizing the R. F. C. to create these corporations; but the argument was made to us that they went to Delaware, to Maryland, and to other States to create these corporations; that that was an unnecessary thing to do and there ought to be some means of handling the matter more expeditiously. That is why it was done.

Mr. O'MAHONEY. May I call the attention of the Senator to a state of facts which, to my mind, makes this a very important question. As I understand the amendment which has been offered, even under the limitation, the R. F. C. will now create corporations to engage in the production and manufacture of defense materials, materials which they think

are now needed for defense and are also of great use in ordinary civilian life.

The experience of the Sugar Corporation, which was created during the World War, is evidence of the fact that such a corporation so created by the Government and undertaking business operations may do so at a great profit. The Sugar Corporation in the World War made a very large sum of money, as I recall, in its transactions with respect to sugar. Sugar was bought and sold by the Corporation under the Food Administration for the benefit of the Allies and for distribution among the people of the United States, and there was a large profit.

Mr. BROWN. Let me say to the Senator that was largely due to the fact that we had 21-cent sugar because foreign elements, rather than domestic elements, controlled the sugar price at that time. Is not that the fact?

Mr. O'MAHONEY. I am sure the Senator from Michigan called that fact to the attention of the Finance Committee when they committed what we believe to be an error, but my point now is that if there is no limitation upon the life of a corporation, and such a corporation as may be created under this bill engages in a profitable business and there is an abolition of the tax, as I understand—

Mr. BROWN. Not for those corporations.

Mr. O'MAHONEY. I am glad to know that.

Mr. BROWN. Unless they are engaged in defense production. If a public corporation purchases a plant and leases it to a private corporation to operate, the private corporation would not enjoy the tax-exempt features of this bill. Only in the event the Government itself, through an agency engages in manufacture, is there tax exemption.

Mr. O'MAHONEY. Very well. Here is a corporation which is engaged in a profitable enterprise and makes money; it may become independent of the appropriations by Congress.

Mr. BROWN. I disagree with the Senator there, and I think I can point out to him why.

Mr. O'MAHONEY. Understand, I did not make that as a statement; I am merely asking questions; I do not happen to serve on the Committee on Banking and Currency.

Mr. BROWN. I think if the Senator served on that committee it would be a better committee.

Mr. O'MAHONEY. I will subside in a moment, now that I have had that compliment.

Mr. BROWN. The corporations in question could not continue in business after the defense emergency had ended. I am cognizant of the fact that some of the governmental agencies—the Senator from Missouri would call them bureaucrats, but I do not like that term very well, as there are many excellent officials in the departments—have greatly expanded the idea of what is necessary to national defense. I do not agree, and I do not think the court would agree, with the extremities to which some of them have gone, but I do say that, under this

bill, as soon as the defense emergency shall be over, the corporations of which we have been talking cannot continue in the business of producing these materials.

Mr. O'MAHONEY. What is the limitation in the bill which reaches that result?

Mr. BROWN. None of these corporations may be chartered after July 1, 1943; and that is a limitation upon their right to do business.

Mr. O'MAHONEY. But that does not achieve the objective.

Mr. BROWN. The R. F. C. could not loan to these corporations after 1943 for this purpose unless the Congress extended the authority.

Mr. O'MAHONEY. I recognize the accuracy of the Senator's statement in that respect, but I have been pointing out to him the possibility that such corporations might engage in a profitable enterprise and that they might then be independent of congressional appropriations. So I ask the Senator what there is in the bill or in the law which would prevent a corporation so created and so making a profit from using that money? The Senator has not pointed out any provision which would do so.

Mr. BROWN. Let us take a railroad corporation as an illustration. I think the Senator perhaps was not present when I gave as an illustration the case of Sault Ste. Marie Canal, being damaged, and the building of a railroad from Duluth to Lake Michigan on a route, if the Senator has the geography of that section in mind, where roughly speaking, 800 miles by water can be traversed by the large ore carriers.

Any railroad which the R. F. C. might finance and build there, through a subsidiary corporation under this bill, could not be financed by R. F. C. after the defense emergency was over. The R. F. C. could not lend it any money, and it could not operate under the authority given it unless it was in furtherance of national defense. That is a limitation outside the other limitations I have mentioned—time and so on. But I think that is a very real limitation. Such a railroad could not be operated by the Government from Duluth, Minn., to Escanaba, Mich., or from the head of Lake Superior to Lake Michigan, after the defense emergency was over, because this entire section, the Brown-Taft amendment, is based upon the preceding section, which provides that when the President finds it is necessary for the national defense these things may be done. That is the only limitation I can state.

Mr. O'MAHONEY. Does the Senator believe in such a case as he describes of a railroad so operating, with a public demand for the transportation of passengers and freight and the railroad operating successfully, that when the emergency period expired there would be no pressure to continue that corporation in operation?

Mr. BROWN. The R. F. C. would have to sell it, in my judgment, and that is also the judgment of the general counsel of the R. F. C.

Mr. O'MAHONEY. In other words, from what the Senator says, in his opinion, the powers granted here are to be

terminated by the expiration of the period of national defense?

Mr. BROWN. The Senator expresses it very clearly.

Mr. President, the only other section of the bill to which I have not alluded is section 2, which increases the amount of money the R. F. C. may borrow by a billion and a half dollars. That sum will give the R. F. C., for all purposes, not only national-defense purposes but all purposes, according to the estimate of the Federal Loan Administrator, Mr. Jones, \$2,600,000,000.

Mr. President, I think I have covered every section of the bill. I should be very glad to yield to any Senator who desires any further facts and figures which I have or which may be relayed through me to the Senate. I believe, however, I have covered the essentials of the bill. I think it is necessary; I think it is vital to the national defense; and I think the controversial section which has been the subject of some dispute between the Senator from Connecticut and myself is decidedly necessary so that the Government of the United States may meet emergent conditions which we cannot at the moment foresee. That is the main purpose of the Tait-Brown amendment.

Mr. ADAMS. Mr. President, I merely desire to make one or two comments, not in opposition, but as indicating the views of some of us on the Banking and Currency Committee who did not agree with the full policy of the bill.

It has been stated by the Senator from Michigan that some of us differed with one of the theories. Legally, we have felt that the creation of a corporation was a function of sovereignty, and that it could not be delegated to another corporation. I do not think it is particularly material, but I do not wish the occasion to pass without putting in the RECORD my feeling that to confer upon a corporation the power to create other corporations is unsound in principle; and I question its legality, though I understand there are some court decisions to the contrary.

Going a step further, as the Senator from Wyoming mentioned, we have the Reconstruction Finance Corporation with a life which ends in 1947. It is creating—not organizing, but creating—corporations with a life beyond its own. That is not all; but I think some of the corporations which it has created have eternal life. That is, their life not only extends beyond that of the R. F. C., but is without limitation. Their charters are perpetual. The theory of the charters is that these corporations are to be officered by the officers of the R. F. C. I think, in part, the uneasiness of the Senator from Wyoming is met by that fact. In the charter is the requirement that they must be officered by officials of the R. F. C. When the R. F. C. ceases to exist, they will run out because of the lack of officials. Each of them has, I think, a capital of \$5,000,000. Is not that the situation? It is the rather uniform situation. So they will have a capital which they obtain from the R. F. C., together with their borrowing capacity.

One further question as to these corporations is this: The question was asked

of Mr. Jones: "Can you or your organization create a corporation with a life beyond that of the R. F. C., and with powers in excess of those of the R. F. C.?" He said, "Yes." In other words, we grant to the R. F. C. certain powers, and yet the R. F. C. can create a corporation with powers which it itself does not have.

Mr. BROWN. Mr. President, will the Senator yield at that point?

Mr. ADAMS. Certainly.

Mr. BROWN. The Senator is correct in the statement that the R. F. C. may create corporations with powers that it does not have; but, of course, it may not go beyond the statutory authority given to the R. F. C. to create those corporations. In other words, the R. F. C. is bound by the statute; and if the bill is passed with the Brown-Taft amendment in it, it will be limited to the powers granted in that amendment.

Mr. ADAMS. I say to the Senator from Michigan that I think the Brown-Taft amendment is a vast betterment of the bill. I think in the original bill they were asking for—well, I do not want to characterize the authority except as it characterizes itself when they call it "such powers as they may deem necessary in order to expedite the defense program." The Brown-Taft amendment does put some limitation upon them, and I think it is highly desirable that it should be adopted.

Some comment was made as to tax exemption. I felt that the exemption from sales tax and use tax and other personal property taxes ought not to be specifically conferred upon these corporations; that if by law, if by constitutional right they are exempt from such taxes, nothing we could say would add to the exemption. If they are not exempt, we ought not to trespass upon the taxing power of the States. I do not know how far it would go, but suppose we have the operator of an automobile of one of these corporations buying gasoline. The vendor of gasoline is required to account for the tax upon the gasoline sold, but the operator of the automobile of the agency buys gasoline and says, "We do not have to pay the tax." That is a tax that goes to the State.

The Secretary of the Treasury stated that he thought the exemption from sales tax was unnecessary and unwise. In a letter which is not in the report of the committee but is in the report of the hearings, that statement appears. It should be said that the letter which appears in the hearings was sent to Mr. Jones with the statement that he could use it or not, as he thought advisable.

Mr. BROWN. Mr. President, will the Senator yield at that point?

Mr. ADAMS. Yes.

Mr. BROWN. The Senator knows that I have fought on the floor of the Senate on two or three occasions against any form of tax exemption on the part of Government securities or State securities. The Senator from Colorado has been in disagreement with me on some features of that program; but I desire to say here and now—and I have worked a great deal in conjunction with the Treasury upon this question of tax exemption—that I fail to see why the R. F. C. or the Disaster

Loan Corporation or the Metals Corporation should pay a gas tax if the Treasury Department itself does not pay a gas tax; and it does not pay a gas tax upon the use of its trucks. All the Procurement trucks that we see running around the city of Washington are using gas that is tax-free so far as Federal tax is concerned, and if there were a State tax here such as there is in my State and the Senator's State the Federal Government would be exempt from that tax. I fail to see the distinction between the Treasury Department, or the Department of the Interior, or any other department of the Government, and the Metals Corporation, the Disaster Loan Corporation, or any of these purely governmental agencies set up in the form of corporations.

Mr. ADAMS. I entirely agree with the Senator; but there is no statute which says that the Treasury Department is exempt. It is exempt as a matter of fundamental constitutional principle; and I have questioned the wisdom of putting into this bill a provision that it shall be exempt, as if it were implied that otherwise it would not be.

Mr. BROWN. The Senator will recall that in the bill relating to State taxation within Government reservations—there are a good many of them in the State of Colorado—we wrote into the law an exemption of Federal agencies from taxes levied within those areas by the States; but at the same time we subjected the private citizen, the operator of a souvenir stand or a hotel in the Government reservations, to all State taxes.

So the Senator was not quite right when he said we never had enacted that tax exemption into law. We did so provide in what is commonly known as the Buck bill, which the Senator from Michigan handled in the Senate. That tax-exemption was written into the law; and, as I stated before the Banking and Currency Committee at the time the question was up, that was the reason why I felt it was right and proper to have this specific tax exemption set forth regarding the R. F. C.

Mr. ADAMS. Mr. President, the Senator is quite correct. I have had some correspondence in reference to these Federal reservations. Individuals within them who are not exempt are trying to claim that they have the same exemption from tax which the various Government agencies have within the District.

Mr. BROWN. They do not now.

Mr. ADAMS. No; they do not.

Mr. BROWN. We have definitely eliminated that.

Mr. ADAMS. And I think it would result in many complications if we should attempt to attach this exemption to individuals, regardless of where they go or from whom they buy.

Mr. President, just a word or two more. I simply wanted to make clear some of the differences I had with the majority of the committee, in whose decision I perforce acquiesce.

I questioned the amount of the authorization. It seemed to me somewhat excessive. No one can make an absolute statement that they should have this amount or that amount. As a matter of fact, as stated by the Senator from

Michigan, with the added amount under the pending bill the R. F. C. will have free and uncommitted funds of two and a half billion dollars. They have very large resources invested and loans back of that amount. I do not know the amount, but it runs into many million dollars, and money is continually coming in.

I have stated before, and I wish to state again very briefly, that the Reconstruction Finance Corporation was created for a very definite purpose. It was created as an agency through which the credit of the United States should be extended to industry, agriculture, and commerce in their civic undertakings. It was to help the banks; it was to help manufacturers. It contemplated always peacetime activities, and the extension of Government credit going a little beyond the point where a bank would go. In fact, some of the statutes provide that if a manufacturer is unable to secure credit otherwise, if reasonable assurance of repayment exists, or the security is adequate, the Reconstruction Finance Corporation may take a risk which a bank or a private financier would not take.

I have very seriously questioned the grant of power to the R. F. C. by existing statutes, though that question is not in issue now, to engage in manufacture, to buy and operate plants, to go into the war-industry business. I have felt that that should not be confused with its civil lending functions. That has been established, and I merely make that statement because I feel that to a certain extent there has been an abuse of the very sound fiscal theory which underlies the R. F. C.

Again, I have questioned what is provided, namely the right of Congress to establish a corporation as an agency to engage in diplomatic processes, to engage in financial transactions with foreign governments. Under the law as it stands the R. F. C. has been making loans to foreign governments. It has been going beyond that, it has been lending money, for instance, in Cuba, for the establishment of sugar industries, to produce more sugar, when some of us have been attempting very earnestly to make provision for the production of sugar in the United States. It is financing steel works in Brazil, notwithstanding the fact that some of us come from cities where there are steel works which have had trouble in keeping in operation, and other Senators come from neighborhoods where people are endeavoring to establish steel works. But we are lending money through the R. F. C. to establish competition in countries where there is cheap labor, and an abundance of raw materials.

One of my objections has been that the R. F. C. is bypassing Congress. We are turning over to the R. F. C. billions of dollars, and they decide the purpose for which loans shall be made, the purpose for which investments shall be made, and Congress knows nothing about it. All they have to say is that it is in furtherance of the maintenance of industrial conditions in South America or is for some defense purpose.

Congress was established by the Constitution to handle the purse. The Constitution puts the power to borrow money in the Congress. That is the only place where the power to borrow money rests. The Constitution provides that no money shall be drawn from the Treasury except in pursuance of appropriations made by law. But in substance the R. F. C. is borrowing without detailed consent of Congress. We can say generally that we authorize them to borrow a billion and a half dollars or two billion and a half dollars. In one sense we authorize them, but it is not Congress borrowing, it is an administrative creature.

The Constitution provides that the expenditure of money shall be only in accordance with appropriations made by law, but in practical effect the R. F. C. is spending money from the Treasury of the United States without any appropriations and bypassing the constitutional process.

Mr. DANAHER. Mr. President—  
The PRESIDING OFFICER (Mr. ELLENDER in the chair). Does the Senator from Colorado yield to the Senator from Connecticut?

Mr. ADAMS. I am glad to yield.

Mr. DANAHER. I do not suppose the Senator from Colorado has had an opportunity to examine the typewritten copy of the proposed substitute amendment, which is now at the desk.

Mr. ADAMS. I read one short paragraph, which made me more comfortable than some of the others.

Mr. DANAHER. If the Senator had had an opportunity to read it—

Mr. ADAMS. I do not care to discuss the details of the amendment.

Mr. DANAHER. Will the Senator permit me to ask him a question?

Mr. ADAMS. Very well.

Mr. DANAHER. In addition to the provision of facilities, equipment, articles, and supplies necessary to the national defense, we read, "and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith." I ask the Senator from Colorado whether he can think of any article, of the millions of articles which are known to an army or a navy, which cannot be made by the creature corporations, under the authority of this particular bill, if it shall be enacted.

Mr. ADAMS. I am satisfied that under the bill the Reconstruction Finance Corporation could enlist and drill an army, if they saw fit to do so. There is no limitation to prevent them from creating an army of their own, if they assert it is in the interest of national defense. But I am just attempting to put into the record my own individual objections to the bill, as a matter of principle, without expecting or asking that there be any votes upon my suggestions. I did not desire that the bill should pass with the understanding that it was universally approved by the Committee on Banking and Currency.

Mr. DANAHER. I thank the Senator from Colorado.

Mr. TAFT obtained the floor.

Mr. DANAHER. Will the Senator yield?

Mr. TAFT. I yield.

Mr. DANAHER. I send an amendment to the desk, and I ask the Senator from Michigan to consider it. It proposes, after the word "corporations," in line 3 of the typewritten copy, to insert "whose life shall not extend beyond January 1, 1947, or such longer term as Congress shall authorize." I offer this as an amendment to the proposed substitute amendment.

Mr. TAFT. Mr. President, I have some sympathy with the arguments made by the Senator from Connecticut and the Senator from Colorado, but I hesitate to explain the reason why I think the pending amendment is a sound amendment and is probably justifiable under the present circumstances.

I agree entirely that the Reconstruction Finance Corporation, from the time we authorized the South American loans through the Export-Import Bank, has become an agency of the defense administration rather than a lending corporation, such as it was originally. It has changed its nature.

Last year the Corporation came to Congress and requested authority to create corporations. The request was also unlimited at that time, and at my request, largely, the powers were cut down to those provided in existing law.

I am not particularly concerned about the power to create subsidiary corporations by any method which may be prescribed. The subsidiary corporations already formed have done a very good job. Today we have committed \$1,634,000,000 in that process, and I think those corporations are doing one of the most useful works in national defense.

I believe that Mr. Jones had all the powers he desired under the act as we amended it, and only today has he found that there are some other things he wishes to do which cannot be done under the original authorization. I think it is a very good thing that when such additional powers are wanted, Mr. Jones should come back to Congress. The bill as originally presented I thought went too far, because it gave the power to create a corporation, with any powers which Mr. Jones and the President might see fit to confer on the corporation. The committee approved the measure in that form over our protest. I think we had a considerable minority on the committee and a very close vote. It was agreed that the Senator from Michigan [Mr. BROWN] and I would see whether we could agree on some modification. I would have preferred a modification which would provide that these corporations could only do things which were expressly authorized by Congress. The Senator from Michigan would not agree to go that far, but he did agree that the corporations could not do things which were not authorized by Congress, and that proviso is inserted in the amendment.

Furthermore, there is broad power to engage in the manufacture of war materials of all kinds, but that relates to manufacture alone. As originally presented, the bill would permit the R. F. C. to create corporations to go into the

transportation business, to operate air lines, to go into the insurance business, or any other business they might consider necessary in the interest of the national defense.

Possibly there are some things they ought to do in those lines. Possibly, particularly outside the United States, it is difficult for the Government to operate as a government, and it may be desirable to operate in a corporate form. The R. F. C. under this measure may go ahead and do that, but is limited to \$300,000,000 in engaging in such projects.

The only justification I can see for that is the justification we have for giving the President a discretionary fund of one hundred million or two hundred million dollars to do things in an emergency which we may not want to advertise, or for which it may not be desired to come back to Congress and spend the time in getting additional authority. That is the only justification I can see for that kind of a corporation, limited as it is to \$300,000,000.

The whole powers conferred here are strictly emergency powers. I would be strenuously opposed to any such powers being granted except for the national emergency created today by the necessity of building up very rapidly a defense program.

I believe the life of the corporations ought to be limited, and I believe that just so soon as the defense program is accomplished, these powers ought to be repealed, and I feel fairly confident that even Mr. Jones is willing that they should be repealed.

I think there are many objections in principle to the pending bill as amended, but, in view of the present emergency condition, in view of the fact that this measure does afford perhaps a slightly better method of doing the things than permitting them to be done directly by the Government departments, I am prepared to support the bill.

Mr. BROWN. Mr. President, did the Senator from Ohio have an additional amendment to offer?

Mr. TAFT. I think I can offer it at the end.

Mr. BROWN. Mr. President, was the Danaher amendment, which was the pending amendment, agreed to?

The PRESIDING OFFICER. No; it has not been agreed to.

Mr. BROWN. Could that be agreed to now? I may say that the Senator from Connecticut has agreed to a modification of his proposal, and I am willing to accept it as modified.

The PRESIDING OFFICER. The amendment of the Senator from Connecticut [Mr. DANAHER], as modified, will be stated.

The LEGISLATIVE CLERK. After the word "corporations", in line 3 of the pending Brown-Taft amendment, it is proposed to insert "whose life shall not extend beyond January 22, 1947, except for purposes of liquidation, or such longer term as Congress shall authorize."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Connecticut [Mr. DANAHER], as modified.

The amendment, as modified, was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the Brown-Taft amendment, as amended.

The amendment as amended was agreed to.

Mr. TAFT. Mr. President, I offer an amendment which I will read, to be placed at the end of the amendment which has just been agreed to. The amendment is as follows:

The powers of every corporation hereafter created under this subsection shall be set out in a charter which shall be valid only when filed with the Secretary of the Senate and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published: *Provided*, That charters of corporations herefore created shall be so filed and published before July 1, 1941, and amendments thereto shall be valid only when hereafter so filed and published.

Mr. BROWN. Mr. President, I may say that I think that amendment is a very substantial improvement. Both the general counsel of the R. F. C. and I myself have looked it over. It merely provides for the filing of the charters with the Congress and their publication in the Federal Register. I think it is a valuable addition to the bill and I am glad to accept it.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Ohio [Mr. TAFT].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is still open to amendment.

Mr. O'MAHONEY. Mr. President, I rise to suggest the possibility of a further amendment to this measure. I have been very much concerned by the statement made by the Senator from Colorado [Mr. ADAMS], which I understand is that funds loaned by the R. F. C. are being used to promote the production and manufacture in foreign countries of commodities in competition with commodities produced in the United States. Am I correct in my statement?

Mr. ADAMS. The Senator is correct. My statement was in reference primarily to sugar in Cuba and a steel plant in Brazil.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. TAFT. Are those loans made by the R. F. C. or by the Export-Import Bank direct under the R. F. C.?

Mr. ADAMS. I am not able to answer that question, but I know the source of the fund is the same.

Mr. O'MAHONEY. Is the Export-Import Bank a corporation created by the R. F. C.?

Mr. ADAMS. Yes; and controlled by it 100 percent.

Mr. O'MAHONEY. Mr. President, I have written a tentative amendment. I shall read it, and ask the Senator from Colorado to give me his judgment upon it, and, of course, I am directing it also to the attention of the Senator from Michigan [Mr. BROWN]. It is to add a new section to the bill, as follows:

SEC. 6. Neither the Reconstruction Finance Corporation nor any corporation created by it—

Which I think would include the Export-Import Bank—

Mr. ADAMS. I would say, "controlled by it."

Mr. O'MAHONEY. Very well.

SEC. 6. Neither the Reconstruction Finance Corporation nor any corporation created or controlled by it shall, without the consent of Congress, engage in or finance, either directly or indirectly, the manufacture or production of any commodity in competition with commodities manufactured, grown, or produced in the United States.

Mr. ADAMS. Mr. President, I should be very glad to vote for such an amendment.

Mr. O'MAHONEY. Mr. President, I offer that amendment. I do not believe it needs any comment.

Mr. BROWN. Mr. President, I hope the amendment will not be agreed to. It is very far reaching. As the Senator knows, I do not approve of the policy of assisting in the refining or production of sugar in Cuba. I do not know about the iron-ore situation. I know at the present time we have to do some things which we could not do in ordinary times. I will say to the Senator that yesterday the House passed a bill suspending the coastwise shipping laws to permit the carrying of iron ore upon the Great Lakes by Canadian ships.

I introduced a similar bill in the Senate, and I think it will be considered next week. There has been great pressure on me to permit the carrying of grain and coal by ships of foreign registry in the coastwise shipping and upon the Great Lakes. As to iron, I know that at the present time our capacity to produce is not sufficient for our extraordinary needs. The Senator may know that in the city of Baltimore, at Sparrows Point, is a great iron and steel industry, the raw material for which is obtained from Chile. The Senator perhaps knows that the Metals Corporation, or possibly the Export-Import Bank, purchased a large amount of copper from Chile some time ago. I objected to it at the time, because we have a substantial copper industry in my State of Michigan. The purpose of it was to prevent certain foreign countries from getting possession of that copper. It was purchased under an arrangement by which it would not come into direct competition with American copper. As I look over the report of the Reconstruction Finance Corporation I find that they have assisted in the purchase, through loans or otherwise, of a great quantity of commodities. Some of them are undoubtedly produced in the United States—antimony, asbestos, chrome ore, copper, graphite, manganese ore, mica, tungsten trioxide, tin, and zinc. I think there are any number of articles necessary to the national defense which we produce in the United States in part, but not sufficiently to supply our entire needs.

The Senator and I do not agree with the policy, but it is well known that we produce, I think, about 26 percent of our sugar in the United States, and we are dependent to a certain extent—and I can hardly conceive of a situation in which we would not be dependent to some extent—upon the production of Cuba, and

possibly of some other nations, for a part of the sugar we consume.

Mr. O'MAHONEY. Mr. President, the Senator will note that the amendment which I propose explicitly says, "without the consent of Congress." I doubt whether Members of the Congress or of the public at large are aware of what is going on. We are absolutely destroying the system of free private enterprise. Such destruction does not come primarily from what is proposed here. I do not want to be understood as saying that the Committee on Banking and Currency is bringing in a measure which will do that; but I do say that, because we have utterly closed our eyes to the fact that modern business is carried on upon an international basis instead of upon a local basis, we are sacrificing every power of government, and we are undermining the capitalistic system, the institution of private property.

Mr. BROWN. Mr. President—

Mr. O'MAHONEY. If the Senator will bear with me for a moment, this process began when we permitted corporations created by the States without any let or hindrance to become so great and to engage in national and international business. I had occasion to call the attention of the Appropriations Committee yesterday to the fact that the General Electric Co. entered into an agreement with Krupp, the munitions manufacturer of Germany, whereby the General Electric Co. agreed not to send any of its products to South America or to any other country on the globe in consideration of the agreement by Krupp to keep out of the United States.

Mr. DANAHER. Mr. President—

Mr. O'MAHONEY. In other words, a German manufacturer gave up to an American manufacturer—an alleged private corporation—the right to exploit the people of the United States in return for the surrender by an American corporation to Germany and the Krupp munitions manufacturer of the opportunity to exploit the people of South America and of Europe. The creation of enterprises of that kind, which in the first place have destroyed local self-government in the States politically, and have closed the opportunity to small business wherever it exists, leads directly to the sort of thing we now see.

In this emergency, in order to produce the materials which so-called private business has suppressed in the past, we have to turn to Government to do it. The Senator might have spoken of aluminum. The Aluminum Co. of America entered into a combination by which the output of aluminum all through the world was restricted in order that the price might be maintained; and because of that agreement—which amounted to a treaty without the advice and consent of the Senate—it then became necessary, when the Government in the interest of national defense had to have additional production of aluminum, for the R. F. C. to make a loan to the Reynolds Metal Corporation, I think the name was, to which the Senator has just referred. Public funds were loaned to the second corporation to increase the production of aluminum because we had permitted the

production to be restrained by the first corporation. Now we take another step forward, and we are giving to the R. F. C. broad power to create new corporations to produce all the commodities and materials needed in defense anywhere in the world without the consent of Congress.

Mr. President, I think all these powers may well be granted; but if these corporations are to undertake to raise commodities and manufacture goods outside of America which may undermine our opportunities for development in the United States, then I say the Congress of the United States ought to have something to say about it.

Mr. BROWN. Mr. President, the Senator from Wyoming is too wise a legislator, and he has had too long experience here, I think, to persist in an amendment of that kind at this time. He strikes at the whole policy of the Secretary of State, the whole policy of reciprocity in trade with the other nations of the world, which at the present time is pretty largely confined to South America. He would absolutely nullify the authority and power which Congress has granted to the Export-Import Bank to encourage trade with other countries.

This is not the time for me to enter into a long discussion upon that subject. It was thoroughly discussed. I merely state that those of us who are vitally interested in the sugar business, as are the Senator from Wyoming, the Senator from Colorado, and the Senator from Michigan, must concede that it is desirable to a certain extent to permit some sugar to come in from other nations in return for their agreeing to accept certain commodities that are produced within the United States. That is not the kind of an argument that comes from a man who represents a State which produces a large amount of sugar, and a good many of whose citizens are engaged in that occupation; but we must concede that there is some substance to the great policy, which, under Secretary Hull and President Roosevelt, we have set up—that is, the policy of reciprocal trade agreements.

The Senator's amendment would mean that every time the Export-Import Bank might be called upon to exercise its judgment in the matter of assisting an industry in a foreign country, not primarily for the purpose of aiding that country but for the purpose of encouraging the agricultural industry in the United States and trade within the United States and trade with these foreign countries, we should have to apply to the Congress for its approval or disapproval of that kind of a loan.

Mr. O'MAHONEY. Of course, the answer to that is, Whose judgment is to guide the policy of this country? Is its policy to be guided by the judgment of appointive officials of a corporation created by another corporation, officials about whose selection we have nothing whatever to say, or is it to be determined by the judgment of the elected representatives of the people?

Now let me refer to the question of sugar, which the Senator has brought up.

Mr. BROWN. The Senator from Wyoming brought up the question of sugar.

**Mr. O'MAHONEY.** The Senator from Wyoming has referred to the applicability of this amendment to sugar. It is applicable to sugar; but the Senator from Michigan gave his support to the bill introduced by the Senator from Colorado and myself to provide that if there should be any deficit in the quota of sugar from the Philippine Islands, it should be distributed to American producing areas, because we knew that American producing areas had been restricted in their production. The beet areas of the Senator's State, like the beet areas of my State and of the State of Colorado and of another State, have been cut down. The State Department opposed that bill, and the Department of Agriculture opposed it. Why? Was it because they wanted to aid Cuba particularly? No; because of a desire to build up a new competitive sugar industry in Santo Domingo and in Peru, creating new competition for our own citizens, who pay the taxes which loan the money which the Export-Import Bank uses to stimulate these industries.

**Mr. BROWN.** As the Senator knows, that proposition will come before the Senate next week, I think it is fair to state, somewhat due to a little effort on the part of the Senator from Michigan. I hope that then the Senator from Wyoming will make the same kind of an eloquent address in favor of the bill that he is making, I believe illogically and erroneously, relating to this amendment.

The Senator does not want to put me in the position, does he, of opposing the right of the American farmer and the American refiner to produce all the sugar they can produce in the United States? He knows I am desirous of their doing that. But I do not want to overturn, by brief consideration here in an hour, in the late afternoon, upon a bill which does not relate in any way to the Export-Import Bank, a general policy of this Administration which has been adopted after great deliberation and after a great deal of debate in the Senate.

I believe we debated for several weeks the Senator's own amendment to the reciprocal trade agreements bill. Even if I agreed with the Senator, as I do, regarding the general policy which he enunciates, I do not want foreign people to be encouraged in their sugar industry—yet, although I am opposed to that particular thing and although I believe the Secretary of State is wrong in the conclusions he expressed to the Finance Committee this morning upon that subject, I do not think we ought to adopt a far-reaching measure such as the Senator's amendment proposes under the conditions under which we are operating this afternoon, a matter which cannot have had any consideration by the appropriate committee.

**Mr. BONE** rose.

**Mr. O'MAHONEY.** Mr. President, before yielding to the Senator from Washington, who wishes to ask a question, I desire to have the RECORD show that I recognize and applaud the efforts which the Senator from Michigan has made on behalf of the beet-sugar industry. The Senator from Michigan was a tower of strength to us in the Finance Committee, and the fact that the committee saw fit

to render an adverse report was not because the Senator lacked diligence in representing the interests of the producers of sugar beets and sugarcane. As a matter of fact, I am frank to say I believe that, if it had not been for the efforts of the Senator from Michigan, the bill would have been buried in the committee, so that we would not have had an opportunity to discuss it here upon the floor; and for that cooperation I thank the Senator.

Mr. President, I rose primarily for the purpose of calling the attention of the Senate and of the country to the fact that big government is the direct result of unregulated, uncontrolled big business. We have permitted State corporations to dominate the economic life of this country and of the world; and I say to the Senate that the trade agreements of the Secretary of State are just like so much chaff in the wind before the treaties which are being made and which have been made through the world cartels into which our leading business enterprises have so frequently entered, agreements to divide the world with respect to optical glass and optical instruments, agreements with respect to aluminum, agreements with respect to magnesium, agreements with respect to tungsten carbide, and all the things which now are necessarily in the national defense. We have no power as a government to defend the public interest in that respect, because we have not seen fit to do what we should have done years ago, to assert the power of the Federal Government to determine the character and responsibilities and powers of corporations engaged in interstate and foreign commerce.

**Mr. BROWN.** That is just what we are trying to do by the provisions of the bill creating the Export-Import Bank. We are trying to get hold of these critical and necessary raw materials for the national defense.

The Senator now has very well stated his point of view. His amendment gave him a vehicle to do that, and he knows that on the fundamentals of the proposition which he asserts here I am with him and shall be with him. But I trust now he will withdraw his amendment, and will let us pass this bill, so we may conclude that part of the day's business.

**Mr. WHEELER.** Mr. President, will the Senator yield?

**Mr. O'MAHONEY.** I was about to yield to the Senator from Washington [Mr. BONE], who had risen.

**Mr. BROWN.** I think the Senator from Michigan has the floor.

**Mr. O'MAHONEY.** I beg the Senator's pardon. I thought the Senator had interrupted me.

**Mr. BROWN.** I yield to the Senator from Washington.

**Mr. BONE.** Mr. President, I merely desire to ask a question and to suggest one way out of the dilemma which the Senator from Wyoming says is bedeviling the whole country. How much of our total trade, in the turn-over of dollars, is now reflected in foreign trade? Is it about 3 percent?

**Mr. BROWN.** I am unable to answer that question. I have understood that in normal times it represented pretty close

to 10 percent of our total trade; but I assume that at the present time that percentage is greatly diminished. If the Senator says the present total is 3 percent, that is as good a figure as any that I can give.

**Mr. BONE.** I am, frankly, unable to answer; but of late I have read statements to the effect that it now reflects about 3 percent of the total amount of business done by the country.

**Mr. BROWN.** That would be in accordance with my judgment.

**Mr. BONE.** Of that foreign trade of 3 percent, if that be the correct figure—I myself attempt no appraisement—how much would be represented by trade with South America? Would it be 10 percent of the total foreign trade?

**Mr. BROWN.** I assume that at the present time there is considerable trade with England. There must be.

**Mr. WHEELER.** Mr. President, if I may interrupt the Senator, the total trade last year with South America, according to the figures I have been shown, was something like \$750,000,000. Prior to that time it was around \$500,000,000, according to the figures I have.

**Mr. BROWN.** Of course, there is some trade with England. There must be a great deal of such trade at the present time. I do not suppose any statistics upon that subject are in existence; but I should say that the bulk of the trade must be the trade with South America and Central America and the islands of the seas immediately adjacent to the United States. I know the Philippine trade has greatly declined; but, of course, there is the unfortunate trade which the Senator from Washington has so often talked about which is presently going on with Japan.

**Mr. BONE.** I was tempted to ask the question because if we should suddenly lose all the trade with South America, I was wondering what percentage of the total trade of the United States, both foreign and domestic, that loss would represent.

I wish to refer to one other matter. I have heard the Senator from Wyoming speak so frequently of our utter inability to control cartels represented by the Optical Trust and the Aluminum Trust that I wondered why 96 Members of the Senate, if they sincerely believe that we are to an appreciable degree helpless, permit themselves to remain in a helpless condition. The very able lawyers here could readily solve that question. If there is an Aluminum Trust that betrays the public interest, it would be a very simple thing for the Government to erect a gigantic aluminum plant in the Pacific Northwest, where there are magnificent and almost unlimited deposits of aluminum material, and produce aluminum; and I know of no regulatory method quite so effective as that. A cartel would not amount to a snap of the fingers in the face of that actual or potential competition. Are we afraid to do that? What ties our hands?

I should like to have some Senator explain to me why no one challenges the Senator from Wyoming when he says the great Federal Government is helpless, when all in God's world the Government

has to do is to build its own aluminum plant. It would then cease to be helpless, and we would have ample supplies of aluminum for national defense, which I assume is the highest and the holiest duty of America right now, that is, to provide for the national defense. Why admit our helplessness?

Mr. O'MAHONEY. I do not admit the helplessness of the United States.

Mr. DANAHER. Mr. President, will the Senator from Michigan yield to me?

Mr. BROWN. I yield.

Mr. DANAHER. Mr. President, I wish to remark simply that with the growing dependence of our economy upon defense production because of the increased demand that the needs for all articles contemplated by the pending bill be met by Government-created corporations, when this war is over, unless the situation is most carefully safeguarded, the Senator from Washington will find that this bill has offered the answer to the question he has asked of the Senator from Wyoming. He will find that we have put the Government so far into business and there will be such a demand for its continuance that such production will not revert again to private industry. He will find that the aluminum cartel, and as many other kinds of cartels as he may choose to mention, will have found their competitors under the aegis of the R. F. C. corporate creatures authorized right here this afternoon.

So I say to the Senator from Washington that he need not be apprehensive as to where the competition will come from or question the possibility of the location of a plant in the great Northwest, where he says the facilities are admirable, and I say, the people are fine, if the Senator from Washington is representative of them, as I think he is. I will say to him that he is going to find his answer in this very bill. Whether or not the people of the United States, when they realize it, are going to approve and applaud the principle the Congress is adopting is another matter, but we are providing an answer to his question.

Mr. ADAMS and Mr. O'MAHONEY addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Michigan yield; and if so, to whom?

Mr. BROWN. I think I should yield first to the Senator from Wyoming.

Mr. ADAMS. I merely wish to make one suggestion.

Mr. BROWN. Very well.

Mr. ADAMS. I was going to say to the Senator from Washington that he has overlooked the fact that, so far as the Northwest section is concerned, as a matter of fact, the Government is now constructing the Bonneville project, which will furnish vast amounts of power, and the R. F. C. is lending money to the Reynolds Metals Co. to build an aluminum plant in the Northwest. What more can the Senator ask from the Government?

Mr. O'MAHONEY. Mr. President, the Senator from Colorado made one of the remarks that I intended to make. The Senator from Washington interrupted

the Senator from Michigan in order to direct a few remarks to me, intended, as I understood him, to emphasize the perfectly amazing situation in which we find ourselves.

My contention is that to protect itself from the restrictive operations of monopoly, the Government does have to do this thing. The Government, through the R. F. C., found itself under the obligation to loan nonexistent funds out of the deep well of the deficit to finance the Reynolds Co., to expand the Bonneville project, and to build a new T. V. A. dam in order to supply power for the Aluminum Co. of America, because, in the years that have gone by, the Aluminum Co. of America had restricted the production of aluminum in the United States in order to maintain the price. In other words, what they have done has been to bandy around among the monopolies of the world the right to exploit the people of the world, and our American monopolists have been content to sell the right to trade in all the world to Germany in some instances, and German monopolies, in order to retain for themselves the right to exploit the people of America.

My contention is that unless we wake up, unless business leaders and Government leaders wake up to this condition and undertake to fix the responsibility of the so-called private corporation, this is the road we are bound to travel.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Wyoming [Mr. O'MAHONEY].

The amendment was rejected.

The PRESIDING OFFICER. The bill is still before the Senate and open to further amendment. If there be no further amendment—

Mr. DANAHER. Mr. President, the counsel for the R. F. C. and the legislative draftsman tell me that there was a technical omission when the Taft-Brown perfecting amendment was prepared this morning. I interrupted the process of the passage of the bill to the end that the Senator from Michigan might see what the legislative draftsman has perfected.

Mr. BROWN. I have no objection to the amendment.

The PRESIDING OFFICER. Without objection, the vote by which the so-called Brown-Taft amendment was adopted is reconsidered, and the Senator from Connecticut offers a perfecting amendment, which will be stated.

The LEGISLATIVE CLERK. It is proposed to strike out the first two lines in the so-called Taft-Brown amendment, and in lieu thereof to insert the following:

(b) The first sentence of subsection (3) of such fourth paragraph is hereby amended to comprise three sentences, to read as follows.

The amendment to the amendment was agreed to.

Mr. DANAHER. Mr. President, the legislative counsel recommends the substitution of the language which I now present for that previously adopted in the amendment which I submitted.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. At the end of the so-called Brown-Taft amendment it is proposed to add the following:

No corporation heretofore or hereafter created or organized by the Corporation pursuant to this subsection shall have succession beyond January 22, 1947, except for purposes of liquidation, unless the life of such corporation is extended beyond such date pursuant to an act of Congress.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The PRESIDING OFFICER. The question is on the passage of the bill.

The bill (S. 1438) was passed, as follows:

*Be it enacted, etc.*, That the act approved February 11, 1937 (U. S. C., 1934 ed., Sup. V, title 15, sec. 605k-1), as amended, is hereby amended by striking out "in the years 1936, 1937, 1938, 1939, or 1940" and inserting in lieu thereof "occurring during the period between January 1, 1936, and January 22, 1947."

Sec. 2. Section 1 of the act approved March 31, 1936 (49 Stat. 1186), as amended, is hereby amended by striking out "June 30, 1941" and inserting in lieu thereof "January 22, 1947."

Sec. 3. (a) The first sentence of section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting before the period at the end thereof the following: ". except as provided in section 4 (a) of the Public Debt Act of 1941."

(b) Section 10 of the Reconstruction Finance Corporation Act, as amended, is further amended by adding at the end thereof the following new sentence: "The exemptions provided for in the preceding sentence with respect to taxation (which shall, for all purposes, be deemed to include sales, use, storage, and purchase taxes) shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Co., the Rubber Reserve Co., and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation under section 5d of this act, as amended, to aid the Government of the United States in its national-defense program, (2) the RFC Mortgage Co., the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, and (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. Such exemptions shall also be construed to be applicable to the loans made, and personal property owned, by the Reconstruction Finance Corporation or by any corporation referred to in clause (1), (2), or (3) of the preceding sentence."

Sec. 4. (a) The fourth paragraph of section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting after subsection (3) thereof the following new subsection:

(4) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions

of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government, for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank. Such loans may be made only upon the security of bonds, debentures, stocks, or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State."

(b) The first sentence of subsection (3) of such fourth paragraph is hereby amended to comprise three sentences to read as follows:

"(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or organize, at any time prior to July 1, 1943, a corporation or corporations, with power (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President; (b) to purchase and lease land; purchase, lease, build, and expand plants; purchase and produce equipment, facilities, machinery, materials, and supplies for the manufacture of strategic and critical materials, arms, ammunition, and implements of war, any other articles, equipment, facilities, and supplies necessary to the national defense, and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith; (c) to lease, sell, or otherwise dispose of such land, plants, facilities, and machinery to others to engage in such manufacture; (d) to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture; (e) to produce, lease, purchase, or otherwise acquire railroad equipment (including rolling stock), and commercial aircraft, and parts, equipment, facilities and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same; (f) to purchase, lease, build, expand, or otherwise acquire facilities for the training of aviators and to operate or lease, sell, or otherwise dispose of such facilities to others to engage in such training; and (g) to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the amount outstanding at any one time for carrying out this clause (g) shall not exceed \$300,000,000: *Provided*, That except to the extent expressly authorized by clause (e) of this subsection, nothing in this subsection shall be construed to authorize the Corporation to take any action, directly or indirectly, with respect to any project, authority for which (by treaty or otherwise) or expenditures for which, have heretofore been considered and rejected by the Congress since January 1, 1926. The powers of every corporation hereafter created under this subsection shall be set out in a charter which shall be valid only when filed with the Secretary of the Senate and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published: *Provided further*, That charters of corporations heretofore created shall be so filed and published before July 1, 1941, and amendments thereto shall be valid only when hereafter so filed and published. No corporation heretofore or hereafter created or organized by the Corporation pursuant to this subsection shall have succession beyond January 22, 1947, except for purposes of liquidation, unless the life of such corporation is extended beyond such date pursuant to an Act of Congress."

SEC. 5. The amount of notes, bonds, debentures, and other such obligations which

the Reconstruction Finance Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased by \$1,500,000,000.

#### EDEN WATER CONSERVATION AND UTILITY PROJECT, WYOMING

Mr. O'MAHONEY. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 324, Senate bill 879. I have consulted with the majority leader and the minority leader.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 879) relating to certain Carey Act lands in Wyoming

The PRESIDING OFFICER. Is there objection to the consideration of the bill?

Mr. AUSTIN. Mr. President, reserving the right to object, I should like to have the Senator from Wyoming tell us the purpose of the bill.

Mr. O'MAHONEY. The bill authorizes the State of Wyoming to convey to the Secretary of Agriculture title to certain lands within the State. The lands were conveyed to the State of Wyoming under the Carey Act, for distribution by the State to settlers. The project is an old project, and the private company which was putting the water on the land abandoned the extension of the project. The Farm Security Administration is now undertaking it; but in order that it may properly handle the project it is necessary that it have the power to distribute the land to settlers.

The Carey Act does not authorize the State to convey the land to anyone but settlers, so in order to carry out the project it is necessary for the State to convey the land to the Secretary of Agriculture. The State has already executed a deed, and desires to make the conveyance. The bill has been unanimously approved by the Committee on Public Lands and Surveys.

Mr. AUSTIN. Mr. President, will the Senator yield for a further question?

Mr. O'MAHONEY. I yield.

Mr. AUSTIN. What is the area of the land in question?

Mr. O'MAHONEY. About 13,000 acres.

Mr. AUSTIN. What is the value?

Mr. O'MAHONEY. Without the water which the Farm Security Administration would put on the land, it probably could not be assessed for more than \$5 an acre, if that much.

Mr. AUSTIN. One further question. Would such transfer affect the homes of any of the population?

Mr. O'MAHONEY. No.

Mr. AUSTIN. I have no objection.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (S. 879) relating to certain Carey Act lands in Wyoming, which had been reported from the Committee on Public Lands and Surveys, with an amendment, in line 10, after the figure "422", to insert "as amended", so as to make the bill read:

*Be it enacted, etc.*, That for use in connection with the Eden water conservation and utility project in the State of Wyoming and

subject to such terms and conditions as he may prescribe, the Secretary of Agriculture may accept on behalf of the United States the reconveyance of any lands within the Eden project which have been patented to the State of Wyoming pursuant to the provisions of section 4 of the act of August 18, 1894 (28 Stat. 372, 422, as amended).

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

#### AMERICAN POTASH AND CHEMICAL CORPORATION

Mr. NYE. Mr. President, on one day last week, after what I was sure was careful consideration of the photostatic copies of documents and evidence, I spoke regarding the American Potash and Chemical Corporation, of Trona, Calif. In the address which I made at that time I charged that the employees of that corporation were undergoing a rather un-American experience; that shipments of vital national-defense materials were being made by the corporation to Japan; and that the ownership of the corporation was foreign.

I have received a letter, under date of May 13, 1941, from an official of the American Potash & Chemical Corporation, which was involved in that discussion. In the light of what I said last week, I feel that in all fairness the letter should be made part of the RECORD, because it is in direct answer to the charges which I then made. I ask unanimous consent that the letter be printed in the body of the RECORD as a part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

AMERICAN POTASH & CHEMICAL CORPORATION,  
Los Angeles, May 13, 1941.

MY DEAR SENATOR: Our attention has been called to your remarks published in the CONGRESSIONAL RECORD of May 9, 1941, with reference to the American Potash & Chemical Corporation of Trona, Calif. The facts with reference to the company's history and operations must have been obtained from sources which are not reliable, inasmuch as your remarks are replete with wholly inaccurate statements of fact. In the interest of fair dealing we hope that you will insert in the CONGRESSIONAL RECORD a corrected statement of facts. The purpose of this letter is to supply that information to you and if any corroborative proof seems desirable, we will gladly amplify this statement.

1. Ownership and control of the property: Throughout your remarks it is stated that there is a mystery as to the ownership of this company and that the names and nationalities of the owning interests have not been disclosed. We have at all times been willing to disclose the ownership of the company's shares to the proper authorities upon inquiry. At the request of the Department of Commerce, and as a basis for the statement which you quoted from a report by that Department, we supplied a tabulation showing the names and addresses of the shareholders who own a controlling interest in the corporation with the number of shares held by each of them. Similar information would have been furnished at any time upon a request from any Member of Congress or from any interested Government department. Our shares are listed on the curb exchange and a substantial number are outstanding in the hands of the public. The majority of our shares are foreign held, as in the case of

many other American corporations. Originally the control of the company was held by Consolidated Goldfields of South Africa, Ltd., but some years ago a majority of that company's holdings was sold to a group of investment trusts in the Netherlands, where they are still held. Investors of Netherlands nationality own securities in many American enterprises, and control large American oil interests, and, at least until recently, have held a substantial amount of securities in our American railroads. We would also point out that American corporations own control of important properties in the Netherlands territories, as for instance in the prolific oil fields of the Netherland Indies.

The statement is also made that this is a foreign-directed plant. The truth is that the plant has been managed for many years, and is still managed, by citizens of the United States in whom have been lodged full and complete authority and responsibility for its operation. The statement is further made that the plant is "a foreign colonial outpost." It is assumed that it is meant that the plant is a British colony located on American soil. This statement is not accurate. The plant furnishes employment to about 1,200 men, substantially all of whom we believe are citizens of the United States. Of the 47 men employed by the corporation in positions of responsibility as executives or on the staff at the plant at Trona only 2 are British citizens. It is essentially an American enterprise, operated by Americans.

We do not understand the significance of your query about the transfer to American ownership of this company's shares. As managers of the company we are interested in its production and operation rather than the transfer of the ownership of the shares. There are, however, two comments which may be made. First, the majority of the shares being no longer owned by the British but by the Dutch are obviously not subject to transfer of ownership by the British; and, second, those shares which were retained by British interests have been delivered to British authorities for sale, and if they have not already been sold to American interests, we have no doubt that they shortly will be.

2. Alleged shipments to Japan: Statements are frequently made in your remarks that our company has been sending vital aid to the Japanese program of aggression by selling and sending to that country bromine. This company has never at any time made any shipment of bromine to Japan, either before or after the beginning of this war; in fact, the corporation has never exported even a pound of bromine. The only products ever shipped to that country are potash and borax. We sold potash to Japan for several years, but at the beginning of the present war we discontinued selling this product to that country, notwithstanding the fact that our most profitable contracts were for Japanese consumption. We have also during recent years sold borax to Japan, but sales of this commodity were discontinued several months ago.

The Department of Commerce maintains accurate records of exports of this company and can verify the above statements.

Profits of the company. Intimations are repeatedly made throughout your remarks that excessive profits were made by the company and that these profits accrued wholly to the benefit of foreign investors, at the expense of American labor. The facts should be developed. The British interests began pioneering in this development in 1913. Many years were required to develop process and plant to a capacity where it was a profitable enterprise.

During the long period of experimentation and development of the plant, from 1913 until 1926, the necessary capital could not be obtained in this country. Consolidated Goldfields and its affiliated companies risked the large advances required from time to time over this long period before the venture be-

came an established success. Except for dividend distributions in 1918 and 1919, which were immediately loaned back to the company, there were no dividends paid to stockholders from 1913 until 1928, and only \$1,849,365 from 1928 to 1935, inclusive. During the entire period 1913 to 1938 (26 years) the company reinvested or ploughed back earnings of \$9,238,703 in the property.

Misleading statements are made as to the profits of the company. As stated, no substantial distributions were made for the 26-year period 1913 to 1938. As of December 1938, the investment of the company amounted to \$19,367,100. The dividends paid during 1936 were \$1,188,878; 1937, \$1,849,365; 1938, \$1,056,780; 1939, \$2,509,825; and 1940, \$2,245,657. The earnings over and above these amounts were not distributed but were ploughed back into the property to enable the plant to meet competitive conditions and to improve living conditions of the employees.

3. Employee facilities and related matters: Statements appear in your printed remarks to the effect that inadequate facilities are furnished employees, that living conditions at the plant are deplorable, and that excessive prices are paid by employees for merchandise purchased through company stores. The plant is located in a desert. The company was compelled to provide housing and other facilities for its employees. Transportation facilities and housing facilities had to be constructed under remote desert conditions before even a plant could be constructed. Miles of pipe line were built to bring much-needed fresh water for domestic purposes. Since its inception the company has followed the policy of providing its employees with housing and other facilities on a non-profit basis. Charges for quarters and utility services do not more than cover the cost of operating and maintaining these facilities. There is a modern hospital, including the services of doctors and nurses, a grammar school and kindergarten, library, Catholic and Protestant churches, restaurants, a motion-picture theater, a clubhouse, tennis courts (lighted for night playing) and golf course, swimming pool, and baseball diamond. Group life insurance, with health benefits, are available to employees at reasonable premiums, one-half of which is paid by the company. A recent check indicated that 98 percent of the employees eligible are insured under this arrangement.

Under Senate Resolution 274, enacted June 18, 1936, a committee of the Senate, of which Senator Key Pittman, now deceased, was chairman, investigated the potash industry, including the plant, facilities, and ownership of this company at Trona, Calif. A subcommittee composed of Senators Pittman and Adams (Colorado) visited the plant, inspected the facilities, particularly the housing and other accommodations furnished employees, and we were informed that they were highly satisfied with living conditions at Trona.

Your remarks seem to emphasize the alleged excessive charges for merchandise purchased from the company's store. This store is run on a nonprofit basis. The prices paid at the time of purchase are fixed at prevailing market prices at nearby towns insofar as they could be determined, but the profits made through the operation of the store are divided among the employees at the end of each 6-month period in proportion to the amount of their purchases. Periodic investigations systematically carried out have shown that average requirements of a householder can be purchased more cheaply at Trona than in Los Angeles.

You state that scrip is required in making purchases as a device to require employees to purchase merchandise through this nonprofit store. The company does not use this purchasing device as a means of dictating purchases from the nonprofit store, nor is the company interested in whether the employee

purchases at this or some other store. Scrip is used only as a method to insure that only employees of the company participate in the profit-sharing plan. There are customers from outlying districts who also purchase from the store, paying market prices for merchandise. The employees only are permitted to use scrip and this device enables them to obtain the full profit made on their own purchases, as well as any additional profit derived from outside sales.

4. Wages and related questions: The suggestion is made, unjustifiably, that the wages paid employees at Trona have been lower than like industries. The company maintains that its wage scale over a period of years has been maintained as high, even higher, than most industries similarly situated in that section of the country. We realize, however, that this is a controversial subject and is not susceptible of adequate discussion without burdening this letter with statistics. This question is now the subject of negotiation and it is not believed that it is the controlling factor in the labor dispute that is presently in issue. You intimate that the N. L. R. B. and subsequent litigation arose from the fact that the corporation was unwilling to recognize the right of its employees to organize for bargaining. This is far from the fact, as evidenced by the decision of the United States Circuit Court of Appeals for the Ninth Circuit.

5. The reporter's allegations: Your remarks quoted from an alleged letter by a reporter of the magazine Friday to his manager. This is the first intimation that the management has had that anyone, reporter or otherwise, has suffered any indignities while a visitor at Trona. The statement is utterly false and obviously written to impress his managing editor.

#### CONCLUSION

We have not attempted to point out all of the many inaccuracies in your statement. The company has no secret process; it is not the largest potash and mineral producer in the world, or even in the United States. The company's bromine is not used to convert ordinary gasoline into aviation gasoline, or used in the manufacture of poison gas. These and other inaccuracies occur throughout the statement. We have attempted only to call attention to some of the broader and more important erroneous statements.

You have quoted from a report made on the potash industry by the Department of Commerce. This company was at the time of the investigation one of the three American companies comprising the industry. The concluding sentence of the Department of Commerce's report, after an extensive investigation, is as follows:

"It appears that the potash industry has demonstrated clearly those factors of pioneering development, technological advance, and responsible management which represent the highest expression of American industry."

Respectfully submitted,

AMERICAN POTASH &  
CHEMICAL CORPORATION,  
By F. C. BAKER, Vice President.

ARMY AIR CORPS TECHNICAL SCHOOL,  
BILOXI, MISS.

Mr. BILBO. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of House bill 3538, which was reported earlier in the day from the Committee on Public Lands and Surveys.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H. R. 3538) to amend the act entitled "An act granting certain lands to the city of Biloxi, in Harrison County, Miss., for





77TH CONGRESS  
1ST SESSION

S. 1438



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IN THE HOUSE OF REPRESENTATIVES

MAY 21, 1941

Ordered to be printed

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**AN ACT**

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the Act approved February 11, 1937 (U. S. C., 1934  
4       edition, Supplement V, title 15, section 605k-1), as  
5       amended, is hereby amended by striking out "in the years  
6       1936, 1937, 1938, 1939, or 1940" and inserting in lieu  
7       thereof "occurring during the period between January 1,  
8       1936, and January 22, 1947".

9       SEC. 2. Section 1 of the Act approved March 31, 1936

1 (49 Stat. 1186), as amended, is hereby amended by strik-  
2 ing out "June 30, 1941" and inserting in lieu thereof "Jan-  
3 uary 22, 1947".

4 SEC. 3. (a) The first sentence of section 10 of the Recon-  
5 struction Finance Corporation Act, as amended, is hereby  
6 amended by inserting before the period at the end thereof the  
7 following: ", except as provided in section 4 (a) of the  
8 Public Debt Act of 1941".

9 (b) Section 10 of the Reconstruction Finance Corpora-  
10 tion Act, as amended, is further amended by adding at  
11 the end thereof the following new sentences: "The exemp-  
12 tions provided for in the preceding sentence with respect to  
13 taxation (which shall, for all purposes, be deemed to in-  
14 clude sales, use, storage and purchase taxes) shall be con-  
15 strued to be applicable not only with respect to the Recon-  
16 struction Finance Corporation but also with respect to (1)  
17 the Defense Plant Corporation, the Defense Supplies Cor-  
18 poration, the Metals Reserve Company, the Rubber Reserve  
19 Company, and any other corporation heretofore or hereafter  
20 organized or created by the Reconstruction Finance Corpo-  
21 ration under section 5d of this Act, as amended, to aid  
22 the Government of the United States in its national-defense  
23 program, (2) the RFC Mortgage Company, the Federal  
24 National Mortgage Association, and any other public corpo-  
25 ration heretofore or hereafter organized by or at the instance

1 of the Reconstruction Finance Corporation, and (3) the  
2 Disaster Loan Corporation, and any other public corporation  
3 which is now or which may be hereafter wholly financed  
4 and wholly managed by the Reconstruction Finance Corpo-  
5 ration. Such exemptions shall also be construed to be ap-  
6 plicable to the loans made, and personal property owned,  
7 by the Reconstruction Finance Corporation or by any cor-  
8 poration referred to in clause (1), (2), or (3) of the  
9 preceding sentence."

10 SEC. 4. (a) The fourth paragraph of section 5d of the  
11 Reconstruction Finance Corporation Act, as amended, is  
12 hereby amended by inserting after subsection (3) thereof  
13 the following new subsection:

14 " (4) When requested by the Federal Loan Ad-  
15 ministrator, with the approval of the President, and  
16 subject to such conditions and limitations as may be set  
17 forth in such request, to make loans, notwithstanding  
18 the provisions of any other law, to any foreign gov-  
19 ernments, to their central banks, or to any person,  
20 commission, association, corporation, or bank acting for  
21 or on behalf of such government, for the purpose of  
22 achieving the maximum dollar exchange value in the  
23 United States for the securities or property of any such  
24 government, central bank, person, commission, associa-  
25 tion, corporation, or bank. Such loans may be made only

1       upon the security of bonds, debentures, stocks or other  
2       such obligations of (a) the Government of the United  
3       States or any State, municipality, or political subdivision  
4       of any State, or (b) any private corporation organized  
5       under the laws of the United States or any State".

6       (b) The first sentence of subsection (3) of such fourth  
7       paragraph is hereby amended to comprise three sentences  
8       to read as follows:

9       “(3) When requested by the Federal Loan Adminis-  
10      trator, with the approval of the President, to create or or-  
11      ganize, at any time prior to July 1, 1943, a corporation  
12      or corporations, with power (a) to produce, acquire, carry,  
13      sell, or otherwise deal in strategic and critical materials as  
14      defined by the President; (b) to purchase and lease land;  
15      purchase, lease, build, and expand plants; purchase and pro-  
16      duce equipment, facilities, machinery, materials, and supplies  
17      for the manufacture of strategic and critical materials, arms,  
18      ammunition, and implements of war, any other articles,  
19      equipment, facilities, and supplies necessary to the national  
20      defense, and such other articles, equipment, supplies, and  
21      materials as may be required in the manufacture or use of  
22      any of the foregoing or otherwise necessary in connection  
23      therewith; (c) to lease, sell, or otherwise dispose of such  
24      land, plants, facilities, and machinery to others to engage  
25      in such manufacture; (d) to engage in such manufacture

1 itself, if the President finds that it is necessary for a Gov-  
2 ernment agency to engage in such manufacture; (e) to  
3 produce, lease, purchase, or otherwise acquire railroad equip-  
4 ment (including rolling stock), and commercial aircraft, and  
5 parts, equipment, facilities and supplies necessary in con-  
6 nection with such railroad equipment and aircraft, and to  
7 lease, sell, or otherwise dispose of the same; (f) to purchase,  
8 lease, build, expand, or otherwise acquire facilities for the  
9 training of aviators and to operate or lease, sell, or otherwise  
10 dispose of such facilities to others to engage in such training;  
11 and (g) to take such other action as the President and the  
12 Federal Loan Administrator may deem necessary to expedite  
13 the national-defense program, but the amount outstanding  
14 at any one time for carrying out this clause (g) shall not  
15 exceed \$300,000,000: *Provided*, That except to the extent  
16 expressly authorized by clause (e) of this subsection, nothing  
17 in this subsection shall be construed to authorize the Cor-  
18 poration to take any action, directly or indirectly, with re-  
19 spect to any project, authority for which (by treaty or  
20 otherwise) or expenditures for which, have heretofore been  
21 considered and rejected by the Congress since January 1,  
22 1926. The powers of every corporation hereafter created  
23 under this subsection shall be set out in a charter which shall  
24 be valid only when filed with the Secretary of the Senate  
25 and published in the Federal Register, and all amendments

1 to such charters shall be valid only when similarly filed and  
2 published: *Provided further*, That charters of corporations  
3 heretofore created shall be so filed and published before July  
4 1, 1941, and amendments thereto shall be valid only when  
5 hereafter so filed and published. No corporation heretofore  
6 or hereafter created or organized by the Corporation pur-  
7 suant to this subsection shall have succession beyond January  
8 22, 1947, except for purposes of liquidation, unless the life  
9 of such corporation is extended beyond such date pursuant  
10 to an Act of Congress."

11 SEC. 5. The amount of notes, bonds, debentures, and  
12 other such obligations which the Reconstruction Finance Cor-  
13 poration is authorized to issue and have outstanding at any  
14 one time under existing law is hereby increased by  
15 \$1,500,000,000.

Passed the Senate May 16, 1941.

Attest:

EDWIN A. HALSEY,

*Secretary.*



## AN ACT

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

MAY 21, 1941

Ordered to be printed





## INCREASING LENDING AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION

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MAY 22, 1941.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

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Mr. STEAGALL, from the Committee on Banking and Currency, submitted the following

### REPORT

[To accompany S. 1438]

The Committee on Banking and Currency, to whom was referred the bill (S. 1438) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, having considered the same, report favorably thereon with an amendment in the nature of a substitute and recommend that the bill as amended do pass.

#### STATEMENT

The substitute bill reported by the committee is identical with the bill (H. R. 4674) reported on May 8, 1941 (H. Rept. 514). That report contains a full explanation of the House bill as then reported and for the information of the House that report is set out below.

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[H. Rept. No. 514, 77th Cong., 1st Sess.]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 4674) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### EXPLANATION OF THE BILL AS REPORTED

Section 1: Under existing law the Disaster Loan Corporation has succession until dissolved by Congress, but it is not authorized to make loans in conjunction with catastrophes occurring after the year 1940. This section authorizes loans in conjunction with catastrophes occurring prior to January 22, 1947, coextensive with the succession of the Reconstruction Finance Corporation.

Section 2: This section extends the succession of Electric Home and Farm Authority from June 30, 1941, to January 22, 1947, coextensive with the succession of the Reconstruction Finance Corporation.

Section 3: Existing law (except as modified by Public Law 7, Seventy-seventh Congress, subjecting interest upon and gain from the sale of obligations of the United States and its agencies to Federal taxes) exempts obligations issued by the Reconstruction Finance Corporation, both as to principal and interest, from all taxation except surtaxes, estate, inheritance, and gift taxes. The Reconstruction Finance Corporation, including its franchise, capital, reserves, surplus, and income is likewise made exempt from all taxation. The only qualification of these exemptions provides that real property of the Corporation is to be subject to nondiscriminatory State and local taxes.

This section of the bill reaffirms the policy of the Congress with respect to such exemptions, making it clear (1) that the exemption extends to sales taxes, use taxes, and all other taxes except those expressly excepted under existing law, and (2) that the exemption applies to the loans and personal property of the Corporation.

This section also clarifies the position of various corporations of a public nature affiliated with the Reconstruction Finance Corporation by providing that the tax exemptions applicable to the Reconstruction Finance Corporation shall be construed as applicable (1) to public corporations organized or created by or at the instance of the Reconstruction Finance Corporation, including the Defense Plant Corporation, the Defense Supplies Corporation, the Rubber Reserve Company, the Metals Reserve Company, The RFC Mortgage Company, and the Federal National Mortgage Association; and (2) to public corporations which are wholly financed and managed by the Reconstruction Finance Corporation, specifically the Disaster Loan Corporation.

The exemptions provided in this section are extended to include the Defense Homes Corporation. This Corporation, although incorporated at the instance of the Federal Loan Administrator and financed through an allocation from the emergency funds of the President, is managed by the Reconstruction Finance Corporation.

Section 4: Subsection (b) of this section authorizes the Reconstruction Finance Corporation, upon the request of the Federal Loan Administrator, with the approval of the President, notwithstanding any other provision of law, to make loans to foreign governments or agencies acting for their account, such loans to be made only upon the security of American obligations, governmental or private.

Existing law authorizes Reconstruction Finance Corporation to create defense corporations to procure strategic and critical materials, to expand, equip, and lease plants for the manufacture of arms, ammunition, and implements of war, and, upon finding of necessity by the President, to engage in the manufacture of armaments. Subsection (c) of this section provides that such corporations may be given any powers deemed necessary by the President and the Federal Loan Administrator in order to expedite the defense program. This subsection also provides that the authority of the Reconstruction Finance Corporation to create such corporations shall terminate on July 1, 1943.

Section 5: This section increases the general note-issue power of the Corporation by \$1,500,000,000.

#### CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows: Existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman:

"**ACT APPROVED FEBRUARY 11, 1937 (50 STAT., CHAP. 10, P. 19), AS AMENDED**

*"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That there is hereby created a Disaster Loan Corporation with nonassessable capital stock in an amount not to exceed \$40,000,000. The Reconstruction Finance Corporation is authorized and directed to subscribe for such stock and to make payment therefor from time to time as called, out of the unexpended balance of the \$50,000,000 which the Reconstruction Finance Corporation was authorized to lend for catastrophe relief by section 1 of the Act of April 17, 1936 (Public, Numbered 525, Seventy-fourth Congress). Such Disaster Loan Corporation shall be managed by officers and agents to be appointed by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe.

"Such Disaster Loan Corporation shall be empowered to make, upon such terms and conditions and in such manner as it may prescribe, such loans as it may determine to be necessary or appropriate because of floods or other catastrophes [in the years 1936, 1937, 1938, 1939, or 1940] occurring during the period between January 1, 1936, and January 22, 1947. Such Disaster Loan Corporation may use all its assets, including capital and net earnings therefrom, in the exercise of its functions.

"The Disaster Loan Corporation shall have succession until dissolved by act of Congress; shall have power to sue and be sued in any court, to adopt and use corporate seal, to make contracts, and to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of its business; and shall have such other powers as may be necessary and incident to carrying out its powers and duties under this Act."

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"ACT APPROVED MARCH 31, 1936 (49 STAT., CHAP. 163, P. 1186)

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law, Electric Home and Farm Authority, a corporation organized under the laws of the District of Columbia, shall continue until [June 30, 1941] January 22, 1947, or such earlier date as may be fixed by the President by Executive order, to be an agency of the United States. During the continuance of such agency, the present investment in the capital stock of such corporation, for the use and benefit of the United States, shall be continued, and such corporation is hereby authorized to use all its assets, including capital and net earnings therefrom, and all moneys which have been or may hereafter be allocated to or borrowed by it, in the exercise of its functions as such agency."

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"RECONSTRUCTION FINANCE CORPORATION ACT, APPROVED JANUARY 22, 1932  
(47 STAT., CH. 8, PP. 5-12)

"SEC. 10. Any and all notes, debentures, bonds, or other such obligations issued by the corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. The corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed. *The foregoing exemptions with respect to taxation (which shall, for all purposes, be deemed to include sales taxes and use taxes), whether now, heretofore, or hereafter imposed, levied, or assessed, and whether for a past, present, or future taxing period, are hereby extended to apply with respect to Defense Homes Corporation, and shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation to aid the Government of the United States in its national-defense program, (2) the RFC Mortgage Company, the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by, or at the instance of the Reconstruction Finance Corporation, (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. The loans made, and personal property owned, by the Reconstruction Finance Corporation or by any such corporation shall be construed as included within such exemptions."*

**"THE FOURTH PARAGRAPH OF SECTION 5D OF THE RECONSTRUCTION FINANCE CORPORATION ACT AS AMENDED**

"SEC. 5d \* \* \*

"In order to aid the Government of the United States in its national-defense program, the Corporation is authorized—

"(1) To assist in the development of the resources, the stabilization of the economies, and the orderly marketing of the products of the countries of the Western Hemisphere by supplying funds, not to exceed \$500,000,000 outstanding at any one time, to the Export-Import Bank of Washington, through loans to, or by subscriptions to preferred stock of, such bank, to enable such bank, to make loans to any governments, their central banks, or any other acceptable banking institutions and, when guaranteed by any such government, a central bank, or any other acceptable banking institution, to a political subdivision, agency, or national of any such government, notwithstanding any other provisions of law insofar as they may restrict or prohibit loans or other extensions of credit to, or other transactions with, the governments of the countries of the Western Hemisphere or their agencies or nationals: *Provided*, That no such loans shall be made in violation of international law as interpreted by the Department of State, or of the Act of April 13, 1934 (48 Stat. 574), or of the Neutrality Act of 1939. Upon the written request of the Federal Loan Administrator, with the approval of the President, the bank is authorized, subject to such conditions and limitations as may be set forth in such request or approval, to exercise the powers and perform the functions herein set forth. Such loans may be made and administered in such manner and upon such terms and conditions as the bank may determine.

"(2) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government. Such loans may be made only upon the security of bonds, debentures, stocks or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State."

"(2) (3) To make loans to, or, when requested by the Federal Loan Administrator with the approval of the President, purchase the capital stock of, any corporation (a) for the purpose of producing, acquiring, and carrying strategic and critical materials as defined by the President, and (b) for plant construction, expansion and equipment, and working capital, to be used by the corporation in the manufacture of equipment and supplies necessary to the national defense, on such terms and conditions and with such maturities as the Corporation may determine; and

"(3) (4) When requested by the Federal Loan Administrator, with the approval of the President, to create or to organize, *at any time prior to July 1, 1943*, a corporation or corporations, with such powers as they may deem necessary in order to expedite the defense program, including, but not limited to, power (a) to produce, acquire, and carry strategic and critical materials as defined by the President, (b) to purchase and lease land, to purchase, lease, build, and expand plants, and to purchase and produce equipment, supplies, and machinery, for the manufacture of arms, ammunition, and implements of war, (e) to lease such plants to private corporations to engage in such manufacture, and (d) if the President finds that it is necessary for a Government agency to engage in such manufacture, to engage in such manufacture itself. The Corporation may make loans to, or purchase the capital stock of, any such corporation for any purpose within the powers of the corporation as above set forth related to the national-defense program, on such terms and conditions as the Corporation may determine. \* \* \*"



77<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

S. 1438



IN THE HOUSE OF REPRESENTATIVES

MAY 22, 1941

Referred to the Committee on Banking and Currency

---

**AN ACT**

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

- 1       *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*
- 2       That the Act approved February 11, 1937 (U. S. C., 1934
- 3       edition, Supplement V, title 15, section 605k-1), as
- 4       amended, is hereby amended by striking out "in the years
- 5       1936, 1937, 1938, 1939, or 1940" and inserting in lieu
- 6       thereof "occurring during the period between January 1,
- 7       1936, and January 22, 1947".
- 8       SEC. 2. Section 1 of the Act approved March 31, 1936

1 (49 Stat. 1186), as amended, is hereby amended by strik-  
2 ing out "June 30, 1941" and inserting in lieu thereof "Jan-  
3 uary 22, 1947".

4 SEC. 3. (a) The first sentence of section 10 of the Recon-  
5 struction Finance Corporation Act, as amended, is hereby  
6 amended by inserting before the period at the end thereof the  
7 following: " , except as provided in section 4 (a) of the  
8 Public Debt Act of 1941".

9 (b) Section 10 of the Reconstruction Finance Corpora-  
10 tion Act, as amended, is further amended by adding at  
11 the end thereof the following new sentences: "The exemp-  
12 tions provided for in the preceding sentence with respect to  
13 taxation (which shall, for all purposes, be deemed to in-  
14 clude sales, use, storage and purchase taxes) shall be con-  
15 strued to be applicable not only with respect to the Recon-  
16 struction Finance Corporation but also with respect to (1)  
17 the Defense Plant Corporation, the Defense Supplies Cor-  
18 poration, the Metals Reserve Company, the Rubber Reserve  
19 Company, and any other corporation heretofore or hereafter  
20 organized or created by the Reconstruction Finance Corpo-  
21 ration under section 5d of this Act, as amended, to aid  
22 the Government of the United States in its national-defense  
23 program, (2) the RFC Mortgage Company, the Federal  
24 National Mortgage Association, and any other public corpo-  
25 ration heretofore or hereafter organized by or at the instance

1 of the Reconstruction Finance Corporation, and (3) the  
2 Disaster Loan Corporation, and any other public corporation  
3 which is now or which may be hereafter wholly financed  
4 and wholly managed by the Reconstruction Finance Corpo-  
5 ration. Such exemptions shall also be construed to be ap-  
6 plicable to the loans made, and personal property owned,  
7 by the Reconstruction Finance Corporation or by any cor-  
8 poration referred to in clause (1), (2), or (3) of the  
9 preceding sentence."

10 SEC. 4. (a) The fourth paragraph of section 5d of the  
11 Reconstruction Finance Corporation Act, as amended, is  
12 hereby amended by inserting after subsection (3) thereof  
13 the following new subsection:

14 " (4) When requested by the Federal Loan Ad-  
15 ministrator, with the approval of the President, and  
16 subject to such conditions and limitations as may be set  
17 forth in such request, to make loans, notwithstanding  
18 the provisions of any other law, to any foreign gov-  
19 ernments, to their central banks, or to any person,  
20 commission, association, corporation, or bank acting for  
21 or on behalf of such government, for the purpose of  
22 achieving the maximum dollar exchange value in the  
23 United States for the securities or property of any such  
24 government, central bank, person, commission, associa-  
25 tion, corporation, or bank. Such loans may be made only

1       upon the security of bonds, debentures, stocks or other  
2       such obligations of (a) the Government of the United  
3       States or any State, municipality, or political subdivision  
4       of any State, or (b) any private corporation organized  
5       under the laws of the United States or any State".

6             (b) The first sentence of subsection (3) of such fourth  
7       paragraph is hereby amended to comprise three sentences  
8       to read as follows:

9             "(3) When requested by the Federal Loan Adminis-  
10      trator, with the approval of the President, to create or or-  
11      ganize, at any time prior to July 1, 1943, a corporation  
12      or corporations, with power (a) to produce, acquire, carry,  
13      sell, or otherwise deal in strategic and critical materials as  
14      defined by the President; (b) to purchase and lease land;  
15      purchase, lease, build, and expand plants; purchase and pro-  
16      duce equipment, facilities, machinery, materials, and supplies  
17      for the manufacture of strategic and critical materials, arms,  
18      ammunition, and implements of war, any other articles,  
19      equipment, facilities, and supplies necessary to the national  
20      defense, and such other articles, equipment, supplies, and  
21      materials as may be required in the manufacture or use of  
22      any of the foregoing or otherwise necessary in connection  
23      therewith; (c) to lease, sell, or otherwise dispose of such  
24      land, plants, facilities, and machinery to others to engage  
25      in such manufacture; (d) to engage in such manufacture

1 itself, if the President finds that it is necessary for a Gov-  
2 ernment agency to engage in such manufacture; (e) to  
3 produce, lease, purchase, or otherwise acquire railroad equip-  
4 ment (including rolling stock), and commercial aircraft, and  
5 parts, equipment, facilities and supplies necessary in con-  
6 nection with such railroad equipment and aircraft, and to  
7 lease, sell, or otherwise dispose of the same; (f) to purchase,  
8 lease, build, expand, or otherwise acquire facilities for the  
9 training of aviators and to operate or lease, sell, or otherwise  
10 dispose of such facilities to others to engage in such training;  
11 and (g) to take such other action as the President and the  
12 Federal Loan Administrator may deem necessary to expedite  
13 the national-defense program, but the amount outstanding  
14 at any one time for carrying out this clause (g) shall not  
15 exceed \$300,000,000: *Provided*, That except to the extent  
16 expressly authorized by clause (e) of this subsection, nothing  
17 in this subsection shall be construed to authorize the Cor-  
18 poration to take any action, directly or indirectly, with re-  
19 spect to any project, authority for which (by treaty or  
20 otherwise) or expenditures for which, have heretofore been  
21 considered and rejected by the Congress since January 1,  
22 1926. The powers of every corporation hereafter created  
23 under this subsection shall be set out in a charter which shall  
24 be valid only when filed with the Secretary of the Senate  
25 and published in the Federal Register, and all amendments

1 to such charters shall be valid only when similarly filed and  
2 published: *Provided further*, That charters of corporations  
3 heretofore created shall be so filed and published before July  
4 1, 1941, and amendments thereto shall be valid only when  
5 hereafter so filed and published. No corporation heretofore  
6 or hereafter created or organized by the Corporation pur-  
7 suant to this subsection shall have succession beyond January  
8 22, 1947, except for purposes of liquidation, unless the life  
9 of such corporation is extended beyond such date pursuant  
10 to an Act of Congress."

11 SEC. 5. The amount of notes, bonds, debentures, and  
12 other such obligations which the Reconstruction Finance Cor-  
13 poration is authorized to issue and have outstanding at any  
14 one time under existing law is hereby increased by  
15 \$1,500,000,000.

Passed the Senate May 16, 1941.

Attest:

EDWIN A. HALSEY,

*Secretary.*



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**AN ACT**

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

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MAY 22, 1941

Referred to the Committee on Banking and Currency





77TH CONGRESS  
1ST SESSION

Union Calendar No. 220  
**S. 1438**

[Report No. 616]

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IN THE HOUSE OF REPRESENTATIVES

MAY 22, 1941

Referred to the Committee on Banking and Currency

MAY 23, 1941

Reported with an amendment, committed to the Committee of the Whole House  
on the state of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

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**AN ACT**

To extend the operations of the Disaster Loan Corporation and  
the Electric Home and Farm Authority, to provide for in-  
creasing the lending authority of the Reconstruction Finance  
Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       *That the Act approved February 11, 1937 (U. S. C., 1934*  
4       *edition, Supplement V, title 45, section 605k-1), as*  
5       *amended, is hereby amended by striking out "in the years*  
6       *1936, 1937, 1938, 1939, or 1940" and inserting in lieu*  
7       *thereof "occurring during the period between January 1,*  
8       *1936, and January 22, 1947".—*

9       SEC. 2. Section 4 of the Act approved March 31, 1936

1 (49 Stat. 4186), as amended, is hereby amended by strik-  
2 ing out "June 30, 1941" and inserting in lieu thereof "Jan-  
3 uary 22, 1947".

4 SEC. 3. (a) The first sentence of section 10 of the Recon-  
5 struction Finance Corporation Act, as amended, is hereby  
6 amended by inserting before the period at the end thereof the  
7 following: " except as provided in section 4 (a) of the  
8 Public Debt Act of 1941".

9 (b) Section 10 of the Reconstruction Finance Corpora-  
10 tion Act, as amended, is further amended by adding at  
11 the end thereof the following new sentence: "The exemp-  
12 tions provided for in the preceding sentence with respect to  
13 taxation (which shall, for all purposes, be deemed to in-  
14 clude sales, use, storage and purchase taxes) shall be con-  
15 strued to be applicable not only with respect to the Recon-  
16 struction Finance Corporation but also with respect to (1)  
17 the Defense Plant Corporation, the Defense Supplies Cor-  
18 poration, the Metals Reserve Company, the Rubber Reserve  
19 Company, and any other corporation heretofore or hereafter  
20 organized or created by the Reconstruction Finance Corpo-  
21 ration under section 5d of this Act, as amended, to aid  
22 the Government of the United States in its national defense  
23 program, (2) the RFC Mortgage Company, the Federal  
24 National Mortgage Association, and any other public corpo-  
25 ration heretofore or hereafter organized by or at the instance

1 of the Reconstruction Finance Corporation, and (3) the  
2 Disaster Loan Corporation, and any other public corporation  
3 which is now or which may be hereafter wholly financed  
4 and wholly managed by the Reconstruction Finance Corpora-  
5 tion. Such exemptions shall also be construed to be ap-  
6 plicable to the loans made, and personal property owned,  
7 by the Reconstruction Finance Corporation or by any cor-  
8 poration referred to in clause (1), (2), or (3) of the  
9 preceding sentence."

10 SEC. 4. (a) The fourth paragraph of section 5d of the  
11 Reconstruction Finance Corporation Act, as amended, is  
12 hereby amended by inserting after subsection (3) thereof  
13 the following new subsection:

14 "(4) When requested by the Federal Loan Ad-  
15 ministrator, with the approval of the President, and  
16 subject to such conditions and limitations as may be set  
17 forth in such request, to make loans, notwithstanding  
18 the provisions of any other law, to any foreign gov-  
19 ernments, to their central banks, or to any person,  
20 commission, association, corporation, or bank acting for  
21 or on behalf of such government, for the purpose of  
22 achieving the maximum dollar exchange value in the  
23 United States for the securities or property of any such  
24 government, central bank, person, commission, associa-  
25 tion, corporation, or bank. Such loans may be made only

1       upon the security of bonds, debentures, stocks or other  
2       such obligations of (a) the Government of the United  
3       States or any State, municipality, or political subdivision  
4       of any State, or (b) any private corporation organized  
5       under the laws of the United States or any State".

6       (b) The first sentence of subsection (3) of such fourth  
7       paragraph is hereby amended to comprise three sentences  
8       to read as follows:

9       "(3) When requested by the Federal Loan Adminis-  
10      trator, with the approval of the President, to create or or-  
11      ganize, at any time prior to July 1, 1943, a corporation  
12      or corporations, with power (a) to produce, acquire, carry,  
13      sell, or otherwise deal in strategic and critical materials as  
14      defined by the President; (b) to purchase and lease land;  
15      purchase, lease, build, and expand plants; purchase and pro-  
16      duce equipment, facilities, machinery, materials, and supplies  
17      for the manufacture of strategic and critical materials, arms,  
18      ammunition, and implements of war, any other articles,  
19      equipment, facilities, and supplies necessary to the national  
20      defense, and such other articles, equipment, supplies, and  
21      materials as may be required in the manufacture or use of  
22      any of the foregoing or otherwise necessary in connection  
23      therewith; (c) to lease, sell, or otherwise dispose of such  
24      land, plants, facilities, and machinery to others to engage

1 in such manufacture; (d) to engage in such manufacture  
2 itself, if the President finds that it is necessary for a Gov-  
3 ernment agency to engage in such manufacture; (e) to  
4 produce, lease, purchase, or otherwise acquire railroad equip-  
5 ment (including rolling stock), and commercial aircraft, and  
6 parts, equipment, facilities and supplies necessary in con-  
7 nection with such railroad equipment and aircraft, and to  
8 lease, sell, or otherwise dispose of the same; (f) to purchase,  
9 lease, build, expand, or otherwise acquire facilities for the  
10 training of aviators and to operate or lease, sell, or otherwise  
11 dispose of such facilities to others to engage in such training;  
12 and (g) to take such other action as the President and the  
13 Federal Loan Administrator may deem necessary to expedite  
14 the national defense program, but the amount outstanding  
15 at any one time for carrying out this clause (g) shall not  
16 exceed \$300,000,000: *Provided*, That except to the extent  
17 expressly authorized by clause (e) of this subsection, nothing  
18 in this subsection shall be construed to authorize the Cor-  
19 poration to take any action, directly or indirectly, with re-  
20 spect to any project, authority for which (by treaty or  
21 otherwise) or expenditures for which, have heretofore been  
22 considered and rejected by the Congress since January 1,  
23 1926. The powers of every corporation hereafter created

1 under this subsection shall be set out in a charter which shall  
2 be valid only when filed with the Secretary of the Senate  
3 and published in the Federal Register, and all amendments  
4 to such charters shall be valid only when similarly filed and  
5 published: *Provided further*, That charters of corporations  
6 heretofore created shall be so filed and published before July  
7 1, 1941, and amendments thereto shall be valid only when  
8 hereafter so filed and published. No corporation heretofore  
9 or hereafter created or organized by the Corporation pur-  
10 suant to this subsection shall have succession beyond January  
11 22, 1947, except for purposes of liquidation, unless the life  
12 of such corporation is extended beyond such date pursuant  
13 to an Act of Congress."

14 SEC. 5. The amount of notes, bonds, debentures, and  
15 other such obligations which the Reconstruction Finance Cor-  
16 poration is authorized to issue and have outstanding at any  
17 one time under existing law is hereby increased by  
18 \$1,500,000,000.

19 *That the Act approved February 11, 1937 (U. S. C., 1934*  
20 *edition, Supplement V, title 15, sec. 605k-1), as amended,*  
21 *is hereby amended by striking out "in the years 1936, 1937,*  
22 *1938, 1939, or 1940" and inserting in lieu thereof "occurring*  
23 *during the period between January 1, 1936, and January*  
24 *22, 1947".*

25 SEC. 2. Section 1 of the Act approved March 31, 1936

1   (49 Stat. 1186), as amended, is hereby amended by striking  
2   out "June 30, 1941" and inserting in lieu thereof "January  
3   22, 1947".

4   SEC. 3. Section 10 of the Reconstruction Finance Cor-  
5   poration Act, as amended, is hereby amended by adding at  
6   the end thereof the following new sentences: "The foregoing  
7   exemptions with respect to taxation (which shall, for all  
8   purposes, be deemed to include sales taxes and use taxes),  
9   whether now, heretofore, or hereafter imposed, levied, or  
10   assessed, and whether for a past, present, or future taxing  
11   period, are hereby extended to apply with respect to Defense  
12   Homes Corporation, and shall be construed to be applicable  
13   not only with respect to the Reconstruction Finance Corpo-  
14   ration but also with respect to (1) the Defense Plant Cor-  
15   poration, the Defense Supplies Corporation, the Metals Re-  
16   serve Company, the Rubber Reserve Company, and any  
17   other corporation heretofore or hereafter organized or created  
18   by the Reconstruction Finance Corporation to aid the Gov-  
19   ernment of the United States in its national-defense pro-  
20   gram, (2) The RFC Mortgage Company, the Federal  
21   National Mortgage Association, and any other public corpo-  
22   ration heretofore or hereafter organized by or at the instance  
23   of the Reconstruction Finance Corporation, (3) the Dis-  
24   aster Loan Corporation, and any other public corporation  
25   which is now or which may be hereafter wholly financed

1 and wholly managed by the Reconstruction Finance Corpora-  
2 tion. The loans made, and personal property owned, by  
3 the Reconstruction Finance Corporation or by any such  
4 corporation shall be construed as included within such  
5 exemptions."

6 SEC. 4. (a) The fourth paragraph of section 5d of the  
7 Reconstruction Finance Corporation Act, as amended, is  
8 hereby amended by renumbering subsections "(2)" and  
9 "(3)" thereof as "(3)" and "(4)", respectively.

10 (b) Such paragraph is further amended by inserting  
11 after subsection (1) thereof the following new subsection:

12 "(2) When requested by the Federal Loan Adminis-  
13 trator, with the approval of the President, and subject to  
14 such conditions and limitations as may be set forth in such  
15 request, to make loans, notwithstanding the provisions of  
16 any other law, to any foreign governments, to their central  
17 banks, or to any person, commission, association, corporation,  
18 or bank acting for or on behalf of such government. Such  
19 loans may be made only upon the security of bonds, de-  
20 bentures, stocks, or other such obligations of (a) the Gov-  
21 ernment of the United States or any State, municipality, or  
22 political subdivision of any State, or (b) any private cor-  
23 poration organized under the laws of the United States or  
24 any State;".

25 (c) Subsection (4) of such paragraph (as herein re-

1 numbered) is hereby amended by inserting after the word  
2 "organize" where it first appears therein the following:  
3 ", at any time prior to July 1, 1943," and by inserting before  
4 the word "power" where it first appears therein the follow-  
5 ing: "such powers as they may deem necessary in order to  
6 expedite the defense program, including, but not limited to,".

7 SEC. 5. The amount of notes, bonds, debentures, and  
8 other such obligations which the Reconstruction Finance Cor-  
9 poration is authorized to issue and have outstanding at any  
10 one time under existing law is hereby increased by  
11 \$1,500,000,000.

Passed the Senate May 16 ,1941.

Attest:

EDWIN A. HALSEY,

*Secretary.*





77TH CONGRESS  
1ST SESSION

# S. 1438

[Report No. 616]

## AN ACT

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

May 22, 1941

Referred to the Committee on Banking and Currency

May 23, 1941

Reported with an amendment, committed to the Committee of the Whole House on the state of the Union, and ordered to be printed

27



77TH CONGRESS } HOUSE OF REPRESENTATIVES } REPORT  
1st Session } No. 641

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PROVIDING FOR THE CONSIDERATION OF S. RES. 217



MAY 27, 1941.—Referred to the House Calendar and ordered to be printed

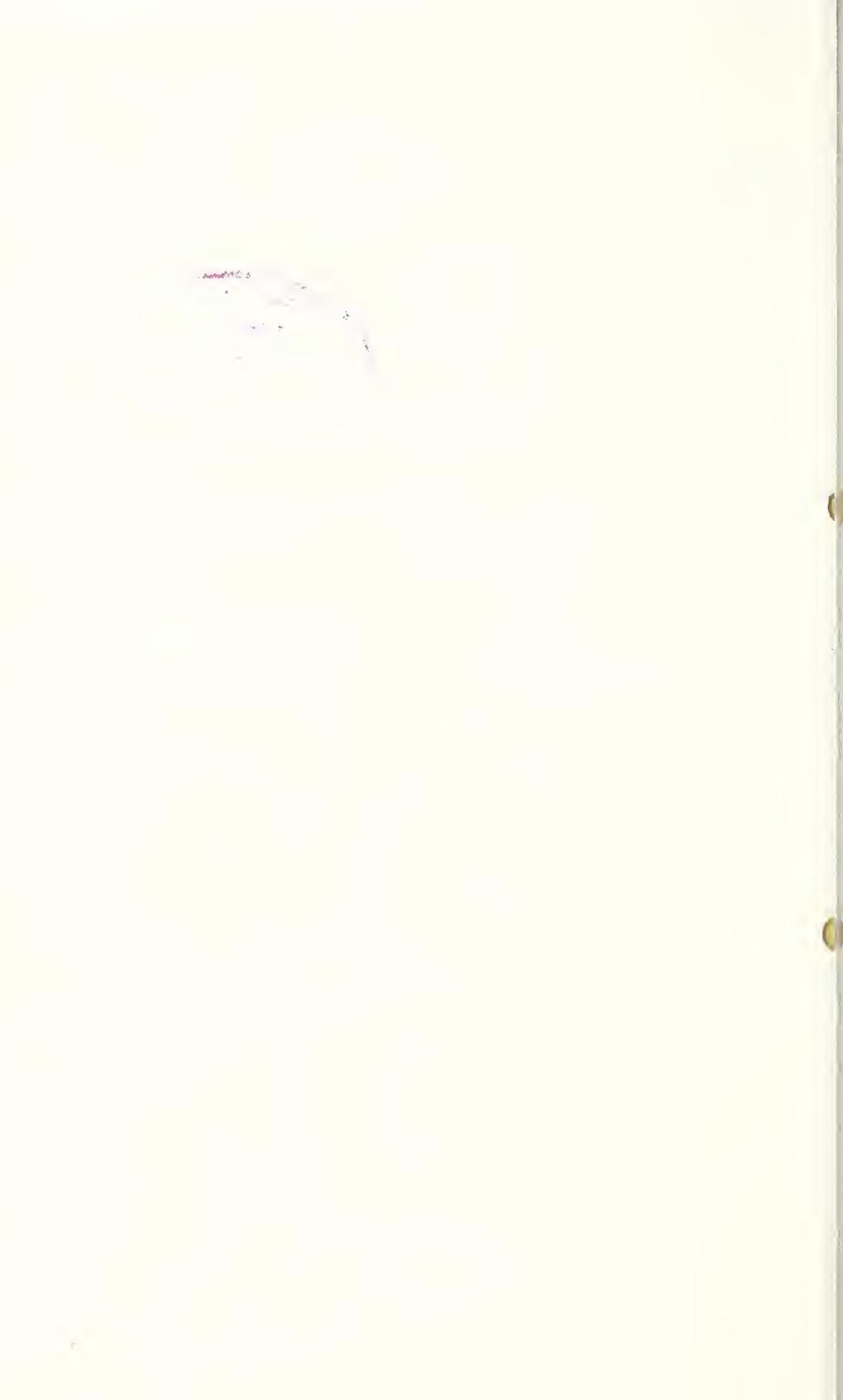
Mr. SABATH, from the Committee on Rules, submitted the following

**R E P O R T**

[To accompany H. Res. 217]

The Committee on Rules, having had under consideration House Resolution 217, reports the same to the House with the recommendation that the resolution do pass.





# House Calendar No. 88

77<sup>TH</sup> CONGRESS  
1ST SESSION

# H. RES. 217

[Report No. 641]



## IN THE HOUSE OF REPRESENTATIVES

MAY 27, 1941

Mr. SABATH, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

## RESOLUTION

1       *Resolved*, That upon the adoption of this resolution it  
2 shall be in order to move that the House resolve itself into  
3 the Committee of the Whole House on the state of the Union  
4 for consideration of the bill S. 1438, an Act to extend the  
5 operations of the Disaster Loan Corporation and the Electric  
6 Home and Farm Authority, to provide for increasing the  
7 lending authority of the Reconstruction Finance Corporation,  
8 and for other purposes. That after general debate, which  
9 shall be confined to the Act and continue not to exceed three  
10 hours, to be equally divided and controlled by the chairman  
11 and ranking minority member of the Committee on Banking  
12 and Currency, the Act shall be read for amendment under the  
13 five-minute rule. It shall be in order to consider the substi-

1 tute amendment recommended by the Committee on Banking  
2 and Currency now in the Act, and such substitute for the  
3 purpose of amendment shall be considered under the five-  
4 minute rule as an original bill. At the conclusion of such  
5 consideration, the Committee shall rise and report the Act to  
6 the House with such amendments as may have been adopted,  
7 and any Member may demand a separate vote in the House  
8 on any of the amendments adopted in the Committee of the  
9 Whole to the Act or Committee substitute. The previous  
10 question shall be considered as ordered on the Act and  
11 amendments thereto to final passage without intervening  
12 motion except one motion to recommit.

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77TH CONGRESS  
1ST SESSION  
**H. RES. 217**

[Report No. 641]

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## RESOLUTION

For the consideration of S. 1438, an Act to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

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By Mr. SABATH

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MAY 27, 1941

Referred to the House Calendar and ordered to be printed

## INCREASING LENDING AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION

MAY 27, 1941.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed



Mr. STEAGALL, from the Committee on Banking and Currency, submitted the following

### SUPPLEMENTAL REPORT

[To accompany S. 1438]

The Committee on Banking and Currency, to whom was referred the bill (S. 1438) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, having considered the same, reported favorably thereon on May 22, 1941 (H. Rep. No. 616), with an amendment in the nature of a substitute and recommended that the bill as amended do pass.

#### STATEMENT

As the substitute then reported was identical to the bill (H. R. 4674) which had previously been reported on May 8, 1941, the report (H. Rept. No. 514) on that bill was attached as a part of the new report to accompany the Senate bill (S. 1438) as amended. In the report so attached, the changes in existing law which would be made by the House amendment to the Senate bill (S. 1438) were indicated in compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives.

In further compliance with such paragraph 2a of rule XIII the changes in existing law which would be made by S. 1438 as originally referred to the Committee on Banking and Currency are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

ACT APPROVED FEBRUARY 11, 1937 (50 STAT., CHAP. 10, P. 19), AS AMENDED

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby created a Disaster Loan Corporation with nonassessable capital stock in an amount not to exceed*

## 2 AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION

\$40,000,000. The Reconstruction Finance Corporation is authorized and directed to subscribe for such stock and to make payment therefor from time to time as called, out of the unexpended balance of the \$50,000,000 which the Reconstruction Finance Corporation was authorized to lend for catastrophe relief by section 1 of the Act of April 17, 1936 (Public, Numbered 525, Seventy-fourth Congress). Such Disaster Loan Corporation shall be managed by officers and agents to be appointed by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe.

Such Disaster Loan Corporation shall be empowered to make, upon such terms and conditions and in such manner as it may prescribe, such loans as it may determine to be necessary or appropriate because of floods or other catastrophes [in the years 1936, 1937, 1938, 1939, or 1940] occurring during the period between January 1, 1936, and January 22, 1947. Such Disaster Loan Corporation may use all its assets, including capital and net earnings therefrom, in the exercise of its functions.

The Disaster Loan Corporation shall have succession until dissolved by Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, and to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of its business; and shall have such other powers as may be necessary and incident to carrying out its powers and duties under this Act.

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ACT APPROVED MARCH 31, 1936 (49 STAT., CHAP. 163, P. 1186)

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law, Electric Home and Farm Authority, a corporation organized under the laws of the District of Columbia, shall continue until [June 30, 1941] January 22, 1947, or such earlier date as may be fixed by the President by Executive order, to be an agency of the United States. During the continuance of such agency, the present investment in the capital stock of such corporation, for the use and benefit of the United States, shall be continued, and such corporation is hereby authorized to use all its assets, including capital and net earnings therefrom, and all moneys which have been or may hereafter be allocated to or borrowed by it, in the exercise of its functions as such agency.*

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### RECONSTRUCTION FINANCE CORPORATION ACT, APPROVED JANUARY 22, 1932

(47 Stat., ch. 8, pp. 5-12)

SEC. 10. Any and all notes, debentures, bonds, or other such obligations issued by the corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, *except as provided in section 4 (a) of the Public Debt Act of 1941.* The corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed. *The exemptions provided for in the preceding sentence with respect to taxation (which shall, for all purposes, be deemed to include sales, use, storage and purchase taxes) shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation under section 5d of this Act, as amended, to aid the Government of the United States in its national-defense program, (2) the RFC Mortgage Company, the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, and (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. Such exemptions shall also be construed to be applicable to the loans made, and personal property owned, by the Reconstruction Finance Corporation or by any corporation referred to in clause (1), (2) or (3) of the preceding sentence.*

## THE FOURTH PARAGRAPH OF SECTION 5D OF THE RECONSTRUCTION FINANCE CORPORATION ACT AS AMENDED

## SEC. 5d \* \* \*

In order to aid the Government of the United States in its national defense program, the Corporation is authorized—

(1) To assist in the development of the resources, the stabilization of the economies, and the orderly marketing of the products of the countries of the Western Hemisphere by supplying funds, not to exceed \$500,000,000 outstanding at any one time, to the Export-Import Bank of Washington, through loans to, or by subscriptions to preferred stock of, such bank, to enable such bank, to make loans to any governments, their central banks, or any other acceptable banking institutions and when guaranteed by any such government, a central bank, or any other acceptable banking institution, to a political subdivision, agency, or national of any such government, notwithstanding any other provisions of law insofar as they may restrict or prohibit loans or other extensions of credit to, or other transactions with, the governments of the countries of the Western Hemisphere or their agencies or nationals: *Provided*, That no such loans shall be made in violation of international law as interpreted by the Department of State, or of the Act of April 13, 1934 (48 Stat. 574), or of the Neutrality Act of 1939. Upon the written request of the Federal Loan Administrator, with the approval of the President, the bank is authorized, subject to such conditions and limitations as may be set forth in such request or approval, to exercise the powers and perform the functions herein set forth. Such loans may be made and administered in such manner and upon such terms and conditions as the bank may determine.

(2) To make loans to, or, when requested by the Federal Loan Administrator with the approval of the President, purchase the capital stock of, any corporation (a) for the purpose of producing, acquiring, and carrying strategic and critical materials as defined by the President, and (b) for plant construction, expansion and equipment, and working capital, to be used by the corporation in the manufacture of equipment and supplies necessary to the national defense, on such terms and conditions and with such maturities as the Corporation may determine; and

¶(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or to organize, a corporation or corporations, with power (a) to produce, acquire, and carry strategic and critical materials as defined by the President, (b) to purchase and lease land, to purchase, lease, build, and expand plants, and to purchase and produce equipment, supplies, and machinery, for the manufacture of arms, ammunition, and implements of war, (c) to lease such plants to private corporations to engage in such manufacture, and (d) if the President finds that it is necessary for a Government agency to engage in such manufacture, to engage in such manufacture itself.¶

(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or organize, at any time prior to July 1, 1943, a corporation or corporations, with power (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President; (b) to purchase and lease land; purchase, lease, build, and expand plants; purchase and produce equipment, facilities, machinery, materials, and supplies for the manufacture of strategic and critical materials, arms, ammunition, and implements of war, any other articles, equipment, facilities, and supplies necessary to the national defense, and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith; (c) to lease, sell, or otherwise dispose of such land, plants, facilities, and machinery to others to engage in such manufacture; (d) to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture; (e) to produce, lease, purchase, or otherwise acquire railroad equipment (including rolling stock), and commercial aircraft, and parts, equipment, facilities and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same; (f) to purchase, lease, build, expand, or otherwise acquire facilities for the training of aviators and to operate or lease, sell, or otherwise dispose of such facilities in others to engage in such training; and (g) to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the amount outstanding at any one time for carrying out this clause (g) shall not exceed \$300,000,000: Provided, That except to the extent expressly authorized by clause (e) of this subsection, nothing in this subsection shall be construed to authorize the Corporation to take any action, directly or indirectly, with respect to any project, authority for which (by treaty or otherwise) or expenditures for which, have heretofore been considered and rejected

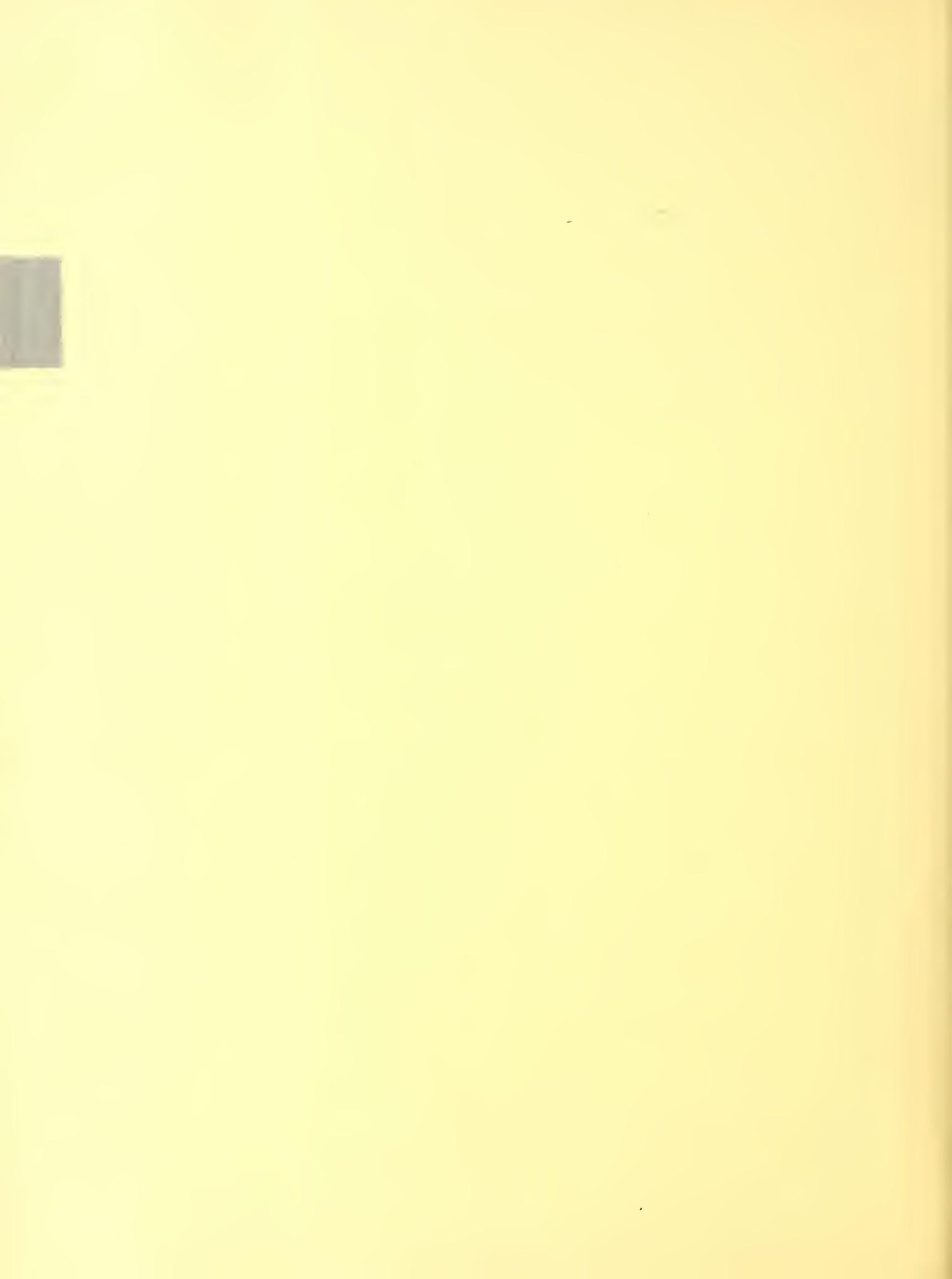
#### 4 AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION

by the Congress since January 1, 1926. The powers of every corporation hereafter created under this subsection shall be set out in a charter which shall be valid only when filed with the Secretary of the Senate and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published: Provided further, That charters of corporations heretofore created shall be so filed and published before July 1, 1941, and amendments thereto shall be valid only when hereafter so filed and published. No corporation heretofore or hereafter created or organized by the Corporation pursuant to this subsection shall have succession beyond January 22, 1947, except for purposes of liquidation, unless the life of such corporation extended beyond such date pursuant to an Act of Congress. The Corporation may make loans to, or purchase the capital stock of, any such corporation for any purpose within the powers of the corporation as above set forth related to the national-defense program, on such terms and conditions as the Corporation may determine.

(4) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government, for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank. Such loans may be made only upon the security of bonds, debentures, stocks or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State.







House bill 3852; to the Committee on the District of Columbia.

1213 By the SPEAKER: Petition of the Fight for Freedom Committee, New York, N. Y., petitioning consideration of their resolution with reference to foreign affairs; to the Committee on Foreign Affairs.

1214 By Mr. THOMASON: Petition of nine residents of Midland, Tex., members of the American Temperance Society of the Seventh-Day Adventists, favoring the passage of House bill 4000, to prevent the sale of alcoholic beverages inside Army and Navy camps and to establish zones around training camps to prevent taverns and vice districts in close proximity thereto; to the Committee on Military Affairs.

## HOUSE OF REPRESENTATIVES

WEDNESDAY, MAY 28, 1941

The House met at 11 o'clock a.m.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, the hour has come in the tragic struggle of Christian ideals when we must not measure our life by religious or political creed but by the motives and character we are to weave into the tissues of the soul of our Republic. We praise Thee that so long there lives a solitary heart, Thou wilt lend Thyself to the redeeming pulsations of everlasting love. As a people chosen in an exceptional way for an exceptional task, in spite of these momentous and grave uncertainties, endue us with an inflexible faith in the triumph of righteousness. Through the never-failing ministrations of the Holy Spirit of truth; lead us forward to the high altitudes envisioned by our fathers. We pray Thee to beckon our country to the places of intellectual refreshment, to the citadels of calm reason and study, to the quiet of the home altar, and to the Church for spiritual renewal; impress our democracy that these are the powers that make a nation grand and glorious. Heavenly Father, help us to subject ourselves to Thy holy influence that we may be guided to the highest conceptions of human life and government. Our President, his counselors, and immediate advisers, do Thou direct them in all their deliberations and conclusions, that national honor, security, and peace may ever be symbolized in the beauteous flag that floats over a free people. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

### COAST GUARD ACADEMY

Mr. BLAND. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. BLAND. Mr. Speaker, as chairman of the Committee on the Merchant Marine and Fisheries, I desire to announce that on the 3d day of May 1941, at the annual meeting of the Board of Visitors to the Coast Guard Academy at that academy, the gentleman from Georgia,

Mr. ROBERT RAMSPECK, a member of the Committee on the Merchant Marine and Fisheries, was elected chairman of the Board of Visitors of the academy.

The gentleman from Georgia [Mr. RAMSPECK] has manifested great interest in the work of the Coast Guard Academy and in the attainment of its objectives. For many years he has been a member of the Committee on the Merchant Marine and Fisheries and has rendered constructive service in all matters within its jurisdiction, which include, in addition to the merchant marine and fisheries, such subjects as the Coast Guard, Coast and Geodetic Survey, aids to navigation, marine hospitals, and the Panama Canal.

I consider the Coast Guard Academy fortunate to have as the chairman of its Board of Visitors a man as diligent and experienced in legislation and educational matters as the gentleman from Georgia [Mr. RAMSPECK]. [Applause.]

[Here the gavel fell.]

Mr. BLAND. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD on the subject of the Coast Guard Academy.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

### EXTENSION OF REMARKS

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and include therein a short statement on automobiles in our national defense.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. O'BRIEN of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an address delivered by my distinguished colleague, Hon. ROBERT F. JONES, of Ohio.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. HAINES. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a letter I have received from the Administrator of the Farm Credit Administration.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. MICHAEL J. KENNEDY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial commending Judge Townley of the Supreme Court of the State of New York.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

### PERMISSION TO ADDRESS THE HOUSE

Mr. EDELSTEIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

[Mr. EDELSTEIN addressed the House. His remarks appear in the Appendix of the RECORD.]

### EXTENSION OF REMARKS

Mr. HOWELL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an article by Raymond Clapper.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

(Mr. LELAND M. FORD asked and was given permission to extend his own remarks in the RECORD.)

### LABOR AND THE DEFENSE PROGRAM

Mr. LELAND M. FORD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

[Mr. LELAND M. FORD addressed the House. His remarks appear in the Appendix of the RECORD.]

### PERMISSION TO ADDRESS THE HOUSE

Mr. PATRICK. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. PATRICK. Mr. Speaker, I did not get up to talk about the President's speech last night, although it is of major importance, and it seems so clear to the Democrats and so confusing to the Republicans. I do not understand that. I guess if I were going to be partisan, I would say it is clear to the clear minds and confusing to confused minds. But perish that thought.

What I got up to say is that I hope that the precedent set by a certain gentleman of this House yesterday morning will not be followed. I was shocked a little bit when I heard it—it is what the second speaker preceding me this morning referred to. He referred to remarks made by the gentleman from Kansas yesterday about a certain group of people because they had Jewish names. Do not forget that that is exactly the same sort of demagoguery that breeds further demagoguery; the same sort of attack by which was begun the present Nazi regime in Germany. It is not hard to get demagoguery going against the Jews. They are in the minority in the country, but they are right intellectual people and in some respects a superior race, although they are greatly in the minority. Of course, anyone who wants to demagogue is always safe in jumping on the Jews, but let us not have it in America. [Applause.]

[Here the gavel fell.]

Mr. EDWIN ARTHUR HALL. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

**THE SPEAKER.** Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. EDWIN ARTHUR HALL. Mr. Speaker, I was one of the three hundred-odd millions of listeners to the President's address last night and I am going to discuss one phase of his talk. As far as he disclosed his attitude upon strikes I considered he was all right, but he did not go far enough, and I for one sincerely hope that as the days go by he will see to it that handling labor strife is his responsibility, as I have pointed out in this House before. I feel it is now his duty to regulate the activities of labor racketeers in some of the leading key defense industries which are so necessary to build up American defense to an invulnerable degree. Everything depends, Mr. Speaker, upon the successful culmination of the program which has been inaugurated. Nothing must intervene or interfere to hold up production of those materials that are so necessary for our defense and the defense of those other people who are so valiantly defending themselves. I sincerely hope that before very long Mr. Roosevelt will tackle the biggest problem facing the country today, that of dealing with the strike situation in defense industries. [Applause.]

[Here the gavel fell.]

Mr. RANKIN of Mississippi. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to extend my remarks in the Appendix of the RECORD and to include therein some extracts from an editorial from this morning's New York Times and also an article written by Maj. Alexander P. de Seversky on sea power. This article will cover more than two pages, but I have secured an estimate from the Government Printing Office.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

[Mr. RANKIN of Mississippi addressed the House. His remarks appear in the Appendix of the RECORD.]

#### EXTENSION OF REMARKS

Mr. LUTHER A. JOHNSON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix and to include therein an editorial from the New York Times.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

#### PERMISSION TO ADDRESS THE HOUSE

Mr. LUTHER A. JOHNSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. LUTHER A. JOHNSON. Mr. Speaker, the address delivered by the President of the United States last night was perhaps listened to by the largest number of persons who have ever listened to any speech in all history. I think the President's address was magnificent from every angle, from every standpoint. I think it reflected the sentiment of the vast majority of the American people, and since our Commander in Chief has

spoken, I believe it to be the duty of the American people, and I believe they will rise to the leadership of their Commander in Chief, and follow him in this great crisis. [Applause.]

#### LENDING AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION

Mr. SABATH. Mr. Speaker, I call up House Resolution 217, which I send to the desk.

Mr. MICHENNER. Mr. Speaker, before that is done I rise to a point of order. The rule which the gentleman has just called up is a different rule from the rule that was ordered reported by the Committee on Rules. The Committee on Rules reported a straight rule on the bill S. 1438, to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, and to provide for increasing the lending authority of the Reconstruction Finance Corporation. I have just learned what this rule does. It contains the following language:

It shall be in order to consider the substitute amendment recommended by the Committee on Banking and Currency now in the act, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill.

Mr. Speaker, the purpose of the Rules Committee was to report a rule for the Senate bill with the Senate amendment, and it was so understood, and not to report a rule on the House bill. If after the committee acts a rule may be drawn which expresses something different from what the Rules Committee intended, that is one thing.

The SPEAKER. Is it the gentleman's statement that it was the purpose of the Committee on Rules to report out the rule amending the Senate bill, with Senate amendments?

Mr. MICHENNER. The committee voted to report the Senate bill and not the House bill. The Banking and Currency Committee asked for a rule on the House bill. The Committee on Rules took the matter under advisement and did not grant the rule. There was some opposition to the bill coming from the House Committee on Banking and Currency. Later, another hearing was held and the Rules Committee was told that the Senate had made certain amendments to the House bill, and then, as I understand it, a motion was made in the committee by a majority Member to report the Senate bill, that is, to grant a rule on the Senate bill.

Mr. SABATH. As amended, naturally.

Mr. MICHENNER. Of course, "as amended" would be the Senate bill as it reached the House.

Mr. SABATH. Mr. Speaker, the Committee on Banking and Currency asked for a rule on the Senate bill as amended, the committee having substituted H. R. 4674 for the Senate bill, so the amendment and the Senate bill are identical with the original House bill, and it was upon the amended Senate bill that the Committee on Banking and Currency finally requested a rule.

Mr. MICHENNER. The point I make is that the Rules Committee directed the chairman to report a rule, to bring before the House for consideration the Sen-

ate bill, and that would mean that that Senate bill would be subject to all germane amendments. Now, when we get the rule, it is not that.

Mr. SABATH. Mr. Speaker, the only question that has arisen is this. After the rule had been reported, the chairman of the Banking and Currency Committee thought that we should adopt a rule waiving all points of order. That is what he requested. I said to him then that no such request had been made, and the committee had not agreed on any rule that waived any points of order, whereupon I went to the gentleman from New York [Mr. FISH] and the gentleman from Michigan [Mr. MICHENNER] and explained to them the request that had been made. Some of the Democratic Members were willing that we should change the rule by polling the members of the committee and I refused to do that. I went to both gentlemen I have mentioned, and when that was objected to, the provision waiving points of order was not included in the rule.

So it is a broad, liberal rule, with 3 hours of general debate provided and for consideration of the bill under the 5-minute rule. It cannot be any broader. If the gentleman can tell me where it can be made broader than it is, I will appreciate it.

Mr. MICHENNER. Certainly. I do not know whether the gentleman understands it or not, but this rule, as written, attempts to accomplish the same thing that the gentleman told the gentleman from New York [Mr. FISH] and myself yesterday he wanted to accomplish.

Mr. SABATH. The gentleman is in error.

Mr. MICHENNER. The gentleman asked me to tell him how. In line 13, on page 1, after the word "period", strike out "it shall be in order to consider the substitute amendment recommended by the Committee on Banking and Currency now in the act, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill." If you strike that language out, you have a straight, open rule to bring the Senate bill before the House, just as the Rules Committee voted.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. MICHENNER. Yes; I yield.

Mr. McCORMACK. It seems to me that with that language in there it facilitates matters. That language does not change the exact phraseology that the gentleman from Michigan has in mind, but unless this language is in there the Senate substitute will have to be read in its entirety; whereas this language is for the purpose of having the Senate substitute read as if it were a bill and open to amendment section by section. If this language is not in there, as I see it, it does not waive points of order, as I understand it.

Mr. MICHENNER. It certainly provides a different procedure. I am not going to insist on the point of order, Mr. Speaker, because I do not want to delay matters, but I serve notice now that when the Rules Committee votes to report out a rule in the future I shall object if a different rule is brought before the House than the committee voted out.

Mr. Speaker, I withdraw the point of order.

The SPEAKER. The point of order is withdrawn. The Clerk will report the resolution.

The Clerk read as follows:

*Resolved*, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for consideration of the bill S. 1438, an act to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes. That after general debate, which shall be confined to the act and continue not to exceed 3 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the act shall be read for amendment under the 5-minute rule. It shall be in order to consider the substitute amendment recommended by the Committee on Banking and Currency now in the act, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill. At the conclusion of such consideration the Committee shall rise and report the act to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any of the amendments adopted in the Committee of the Whole to the act or Committee substitute. The previous question shall be considered as ordered on the act and amendments thereto to final passage without intervening motion, except one motion to re-commit.

Mr. SABATH. Mr. Speaker, all who have heard the rule read must come to the conclusion that it is a broad and liberal rule. It provides for 3 hours of general debate and it provided that after debate the bill shall be read under the 5-minute rule for amendment.

I regret that the gentleman from Michigan [Mr. MICHENER] raised a point of order. I actually believe the gentleman must have been under the impression when he arose that the rule waived points of order. That was requested by the chairman of the Committee on Banking and Currency, but his request did not come to the committee direct. It was made to the secretary and I had no knowledge that such request had been made. Consequently a rule was granted on the Senate bill as amended to expedite the matter. Both bills are identical. The Senate bill and the House bill are identical. The only question that the gentleman has raised was that a certain provision was inserted that is not generally inserted in the rules that are usually reported. I will read for your information just exactly what the rule does provide.

Mr. WOLCOTT. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. WOLCOTT. I do not think that the gentleman intended to say that the Senate bill and the House bill are identical. They differ in at least one very material respect, and in that respect we are going to develop, I hope, a great deal of controversy. So I do not think the gentleman should let his statement stand that they are identical.

Mr. SABATH. Well, I read both bills, that is, the Senate bill and the House

bill, and I could not detect a single change as reported by the House.

Mr. WOLCOTT. Would the gentleman care to have me point out where the changes are?

Mr. SABATH. Is it not the same thing as the original House bill?

Mr. WOLCOTT. I assume that it is, but if the gentleman cares to have me, I will point out where it differs very materially.

Mr. SABATH. Here is S. 1438 and here is the bill originally recommended by the House. They are identical.

Mr. WOLCOTT. May I point out to the gentleman, if he cares to have me, wherein they differ?

Mr. SABATH. Perhaps the original Senate bill might have differed, but that is not included in the amendment.

Mr. WOLCOTT. I am speaking of the Senate bill as passed by the Senate.

Mr. SABATH. But they reported it with an amendment. I mean the Committee on Banking and Currency merely inserted H. R. 4674. Is that not right?

Mr. WOLCOTT. Yes; and because of that there are material differences between the bills. The gentleman should not let his statement stand that the bills are identical.

Mr. SABATH. I meant the amendment that the House Banking and Currency Committee has agreed upon.

Mr. WOLCOTT. The amendment the House Committee on Banking and Currency has agreed upon differs materially from the Senate amendment.

Mr. SABATH. Oh, yes; that I concede, but I wish to state to the gentleman from Michigan that it was not my intention, never has been, and it shall not be to report any rule other than what I believe was the intention of the committee. The committee intended to report a rule providing for the consideration of the Senate bill with the House amendment, which was H. R. 4674. The bill before us, as amended, I understand will be further amended, or at least that the Committee on Banking and Currency intends to offer certain amendments to the amendment. Is that correct, I ask the gentleman from Alabama [Mr. STEAGALL]?

Mr. STEAGALL. The gentleman is correct.

Mr. SABATH. In view of that fact, I feel that any possible objections that have been heretofore raised will be eliminated, and there should be no contention.

It is, I admit, a bill of far-reaching importance.

It extends the life of the various corporations heretofore authorized and created under the original Reconstruction Finance Act and amendments thereto, such as the Disaster Loan Corporation, the Electric Home and Farm Authority, to continue up to January 22, 1947.

Section 3 of the bill amends section 10 of the Reconstruction Finance Act to exempt the corporations created under the R. F. C. from taxation-sales taxes and use taxes, in addition to other tax exemptions. Specifically, the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Com-

pany, the Rubber Reserve Company, The RFC Mortgage Company, the Federal National Mortgage Association, the Disaster Loan Corporation, and any other public corporation heretofore or hereafter organized by or at the instance of the R. F. C., are exempt from taxation.

The bill also gives the Federal Loan Administrator, subject to the President's approval, the authority to make loans to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government.

Subsection 4 of the act (as renumbered) is amended as follows: After the word "organize", where it first appears therein, insert ", at any time prior to July 1, 1943," and by inserting before the word "power" where it first appears therein the following: "Such powers as they may deem necessary in order to expedite the defense program, including, but not limited to." This amendment will give the Reconstruction Finance Corporation additional power to organize another corporation to aid the defense program.

Section 5 of the bill authorizes the Reconstruction Finance Corporation to increase the amount of notes, bonds, debentures, and other obligations it may have outstanding by \$1,500,000,000.

I am informed, however, that the House Committee on Banking and Currency has agreed to the Senate amendment to create a corporation prior to July 1, 1943, to produce and acquire strategic and critical materials as defined by the President. The amount originally set to carry out the organization of this corporation was \$300,000,000. The House committee has agreed to an amendment limiting the amount to \$100,000,000. Other amendments will be offered by the committee that it is hoped will eliminate any possible objections that have heretofore been raised against certain provisions of the bill.

Mr. Speaker, I am pleased to note there is really no division in this House as to the efficient manner in which the Reconstruction Finance Corporation has functioned and how its affairs have been conducted. This applies also to all the organizations that have been authorized to be organized under its jurisdiction. Each and every one of them has functioned 100 percent. Personally, however, I felt and still feel that the Reconstruction Finance Corporation should have been and should now be a little more liberal with the smaller manufacturers and the smaller businessmen in extending to them the aid they need, especially at this time. That was my original intent when I introduced the first bill to create the Reconstruction Finance Corporation; and I hope that the Reconstruction Finance Corporation as well as the other corporations under its supervision which have been formed since will in the future give consideration and aid to the smaller businesses to which, in my opinion, they are entitled. The large corporations with millions and millions do not need, especially at this time, any aid or help; nevertheless, whenever they need a few million dollars it is

forthcoming. They of course have the collateral security to furnish whereas the smaller businessman cannot always satisfy the demands or interest requests of the Reconstruction Finance Corporation and therefore finds it difficult to obtain the same financial aid and assistance the big business boys generally receive.

Mr. JOHNS. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. JOHNS. As I understand the gentleman's statement the Reconstruction Finance Corporation is given power to start another department of the Government. Is that right?

Mr. SABATH. Not another department.

Mr. JOHNS. At least another corporation.

Mr. SABATH. Yes; it is authorized to create another corporation, and it is merely for the purpose of aiding our export trade and aiding our sister republics. I may say to the gentleman that the provisions giving that power are so hedged about with restrictions that I am sure the interests of America are safely protected.

Mr. JOHNS. One further question if the gentleman will permit: Does not the Export-Import Bank take care of these loans now?

Mr. SABATH. It is not intended to make loans, it is intended also to make investments in manufacturing plants, and in the purchase of needed materials for our defense that this corporation is being created.

Mr. Speaker, in view of the fact that the gentleman from New York [Mr. FISH], desires now to proceed, I yield him 30 minutes of the time under the rule and reserve the balance of my 30 minutes.

Mr. FISH. Mr. Speaker, this is an emergency bill, a national-defense measure, and I propose to support it with the amendments that will be offered by the committee, but not in its present form. Everyone knows we are in an emergency. If they did not know it before last night, they know it today. The President of the United States has proclaimed an unlimited emergency. I confess I do not know how that gives him any more powers than he had under a limited emergency or a partial emergency which he proclaimed, I believe, on September 8, 1939. I rather think this statement of an unlimited emergency is a sop to the interventionists and to create more war hysteria and propaganda. In my opinion, the whole speech was an effort to promote and incite war hysteria, spread and extend war propaganda, and instill fear in the hearts of the American people in order to break down the determined will of the 80 percent of our people who are opposed to going into this war unless we are attacked. If that was the main purpose and motive of the speech—and I must confess I believe the speech was very excellent along that line—I think it did exactly what it meant to do; but I am not here now to speak upon that issue. I want to refer to another matter.

Mr. RANKIN of Mississippi. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. RANKIN of Mississippi. Let me say to the gentleman from New York that I heard the President's address very clearly and followed it carefully. It seems to me that the burden of that speech was the defense of America and the building up of the defense of this country, so that we would be impregnable to attack by a foreign power. It did not appear to me from a careful listening that he was advocating going into the war at all.

Mr. FISH. I hope to God the gentleman is right. I hope above everything else that the gentleman's interpretation is correct. But when the President said that he proposed to get these lend-lease goods over there, no matter what happened, and to use every force necessary to get them over there, of course, I understood by that that he was ready to use convoys and to take us to war, if necessary, to get the lend-lease goods to Britain. However, I hope the gentleman is correct, and I am sure the gentleman will agree with me in this: The one thing the American people must insist on is that we will have no undeclared war. We in America do not know what an undeclared war is. It is a foreign and undemocratic institution. It is the creation of the totalitarian state. There is only one proper and American way to declare war and maintain unity in America and that is by an act of Congress. I have no complaint with the President or anyone else who wants to get us into war. They have a perfect right to say so and to act accordingly, provided they submit the issue to the Congress in the constitutional manner for a war resolution and let Congress, as the elected Representatives of the people, either vote it up or down. Today 80 percent of the Members of Congress are against war just the same as 80 percent of the American people are against war.

Mr. Speaker, this bill comes to the House as an emergency measure. I am supporting it with the definite understanding that the committee amendments limiting the amount to be made available to the special fund will not exceed \$100,000,000. I believe that this fund is in safe hands when placed at the disposal of Jesse Jones who, although he comes from Houston, Tex., is shrewder than any New England horse trader. [Applause.] He out-Yankees the Yankees at their own game. I believe he will get the best of any bargain the United States enters into with any foreign nation. There will be no useless paper or IOU's or promises as there were after the World War. Instead, there will be substantial collateral or definite advantages in return for any loans made by him.

I would bet on Jesse Jones to out-guess and out-bargain Hitler, Mussolini, or any of their agents in any barter transactions. Jesse Jones, acting in the interest of our taxpayers, makes the American eagle scream every time his lending agencies part with a silver dollar.

He has handled billions of dollars honestly, efficiently, and with credit to himself and the Nation.

The Congress cannot perform the functions of lending money in emergencies, nor can we afford to tie the hands of an experienced administrator like Jesse Jones without handicapping American interests. We must rely on his business judgment and his record for honesty and ability to cut the red tape and to promote the production of necessary war goods and articles of defense.

There must be no delay in negotiating contracts and getting the defense job done if we are to make America impregnable on land, sea, and in the air in the shortest possible time.

We have seen all kinds of difficulties and delays as a result of the Army and Navy red tape in consummating contracts. We are in an emergency and in that spirit I hope we will amend the bill in those particulars that are necessary along the lines of the committee amendments, but that we will not seek to delay the consideration and passage of this national-defense measure beyond today. I have faith in Jesse Jones as a proven, experienced, and great American administrator and am willing to trust his judgment to protect American interests here and abroad.

Mr. Speaker, I refer the Members of the House to the last paragraph of the report from the Committee on Banking and Currency, which reads as follows:

Existing law authorizes Reconstruction Finance Corporation to create or organize defense corporations to procure strategic and critical materials, to expand, equip, and lease plants for the manufacture of arms, ammunition, and implements of war, and, upon finding of necessity by the President, to engage in the manufacture of armaments.

This bill helps promote that. It permits Jesse Jones to increase the general note-issuing power of the Corporation by one and one-half billion dollars, to set up a special fund of \$100,000,000, when amended by the House. I think it is needed in emergency, I think it is needed for national defense, and I know of no man in America who can administer it better or more efficiently or more honestly than Jesse Jones. [Applause.]

Mr. Speaker, I now yield the balance of my time, 21 minutes, to the gentleman from Indiana [Mr. HALLECK], to be used by him as he may see fit.

Mr. HALLECK. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. MICHENER].

Mr. MICHENER. Mr. Speaker, I am going to make a few remarks about this bill, but first I want to say something about the emergency declared by the President last night, and which has just been discussed. There has been some question as to whether or not the declaration made by the President is any more inclusive than the declaration made on September 8, 1939, which is commonly known as the limited-emergency proclamation.

Let me call your attention to the fact that the limited-emergency proclamation reads thus:

Now, therefore, I, Franklin D. Roosevelt, President of the United States of America, do proclaim that a national emergency exists in connection with and to the extent necessary for the proper observance, safeguarding, and enforcing of the neutrality of the United States and the strengthening of our national defense within the limits of peacetime authorization.

That is the so-called limited emergency. It was proclaimed to make neutrality effective. The proclamation last night was to make belligerency effective. I never could see that there was any authority for the President to declare any such emergency, but there was no method by which you could prevent him from acting if he did act under any emergency he declared, authorized or not. I submit that the President only has emergency powers stemming from the Constitution of the United States or the statutes. The President of the United States cannot at any time he sees fit, if we are not at war, declare a national emergency, as he did last night, and take over the industry, the business, the press, and the lives of the country. [Applause.]

Then you say, Where did he get the authority for last night's emergency proclamation? I say he had that authority because, when the Congress passed the lend-lease bill, it gave to the President of the United States the right to do that which to him seemed to be best for the national defense of this country, all law, national and international, to the contrary notwithstanding.

So, as one Member of the House, I accept that proclamation as a war emergency proclamation, and coupled with the rest of his speech it cannot be interpreted in any other light than that he is going to go through with his program under the lend-lease bill to its fruition, which is to guarantee—according to his own language—the four freedoms to all the struggling democracies anywhere throughout the world. [Applause.]

I think that was leadership last night. He made it clear that he is going to assume the lend-lease power and will not consult Congress about convoys or any other phases of his undeclared war policy. The lend-lease bill gives him power to carry on war even though the Congress has not acted. Last night he accepted the instruction and outlined his course of action. When he gets ready to shoot he will give the order. In short, he has taken over the entry into and the conduct of the war so far as this country is concerned. The President is the Commander in Chief of the Army and Navy, and with the lend-lease law as a guide, it seems to me that it is academic to waste time on whether he had authority to issue his emergency proclamation. He has spoken and he has the armed forces at his command. He has announced to the country that he has assumed and will exercise such dictatorial powers in his discretion as he thinks advisable to obtain his announced objective. Was there any indication in last night's speech that this country would keep out of this war? I do not think so.

Reverting to the rule now before the House, permit me to call your attention to section 3 of the bill S. 4138, which this

rule makes in order. Together with other Members of Congress, I have received many protests against the provisions of section 3. The objections are set out in an understandable way by Gov. Murray D. Van Wagoner, of Michigan. I am in receipt of a letter from Governor Van Wagoner under date of May 23, 1941, which is as follows:

I am writing to call your attention to amendments, now being considered by the House of Representatives, to the Reconstruction Finance Corporation Act, as embodied in S. 1438.

We recognize the urgent need which has brought about these proposals, but we ask your specific attention to section 10. The proposed amendment of this section would make loans and personal property of the R. F. C. and all of its subsidiary corporations exempt from taxation by the States and their political subdivisions.

Such a provision in the Federal statutes would not seriously affect our State government. I am writing you principally in behalf of the local governments in this State—the counties, townships, schools, cities, and villages—which depend largely upon the taxation of real and personal property for the maintenance of essential governmental services.

I realize that S. 1438 does not contemplate exempting the R. F. C. from real-property taxation, but local governments will find small comfort in this omission. Already established is the practice of constructing buildings to house defense production machinery and other equipment on leased land; under Michigan law, all these, with the exception of the bare land itself, must be assessed as personal property, and personal property held by the R. F. C. is exempt under S. 1438. To date, less than 4 percent of all loans of the R. F. C. and its subsidiaries made for defense production facilities has been used in the purchase of land.

The removal of R. F. C.-aided defense industries from the tax rolls of this State will greatly decrease the tax base of the local governments where those industries are located. The rate of taxation on commercial and residential property in those communities will increase in direct ratio to the amount of R. F. C. aid their defense industries are receiving.

I should like to point out that this is only one burden to be placed on the local communities by S. 1438. It is already obvious that defense industries are putting a great strain on many communities by their demand and need for those services which are the fundamental functions of local government; extension of water and sewer mains, police and fire protection, public health, additional school facilities, increased housing and recreational facilities. S. 1438 would not only reduce the tax base which provides the normal demand for these services, but will require this smaller base to pay for extended services essential to defense industries themselves, and for which they should pay their proportionate share.

That defense is a national responsibility evokes little argument, nor should there be any question of distributing the cost of defense over all the citizens. Municipalities, no more than individuals, should not be singled out to bear an unequal part of the burden. The Defense Plants Corporation and all other R. F. C. subsidiaries should pay for the services they require and receive from the local governments in which they are located. I urge you to consider the problems of the municipalities, schools, and counties of Michigan in which sizable defense contracts have been let. I sincerely hope that S. 1438 will be amended to provide expressly for the taxation of these plants on a basis of equality with other property.

I also include a letter of May 26, 1941, from Mayor L. J. Young, of the city of Ann Arbor, Mich., which is as follows:

On behalf of the city of Ann Arbor, I wish to make an emphatic protest against the passage of the bill known as S. 1438 which passed the Senate on May 16.

This bill provides exemption from taxation of all personal property of defense-connected industries having loans from the Reconstruction Finance Corporation. Such an act as this is a direct infringement upon the home-rule rights of municipalities, and would cause serious difficulties in the proper financing of the services of such municipalities, in view of the fact that the construction of additional plant capacity for defense purposes will undoubtedly increase the drain on municipal revenues, because of new services that will be required. The result of such an act as this would be to put an unfair share of the costs of these new facilities on other commercial and residential property.

Anything you can do to prevent the passage of this act in the House will be very much appreciated by the people of Ann Arbor.

I shall not elaborate upon this justified objection to this section during the debate on the rule. The members of the Banking and Currency Committee who are the proponents of this bill and who held hearings and should understand fully all the details of the measure will be asked to explain these provisions when the bill, S. 4138, is being considered for amendment.

It is very difficult for any Member of the House who is not a member of the Banking and Currency Committee to read this bill, S. 4138, and have any definite knowledge as to what the bill means when he is through. Indeed, the ranking majority member of the Banking and Currency Committee, who appeared before the Committee on Rules, confessed to the Rules Committee that the bill was drafted in such a way that no one could have any definite information about what the changes in the law would be without having the original act and all amendatory acts before him. This is a sample of that loose and improper draftsmanship which "strikes out and inserts after the comma in the second paragraph of a certain section of the bill, and so forth." Time after time in recent years I have called attention to this type of draftsmanship. No one will attempt to justify it. All admit that it is confusing, yet for some unknown reason certain committees at times employ the system. The striking out and inserting, and so forth, directed in this bill is accomplished under the Ramseyer rule. Therefore, if you will turn to page 3 of the committee report, you will be able to get some idea of what the bill means. I am sure that no explanation given on the floor will make it possible for a Member to visualize and understand these amendments without going through the mechanical process above suggested or studying the committee report as above suggested.

I shall not vote for this bill in its present form. In my judgment, there would be no possibility of the bill passing the Congress were it not for the fact that Jesse Jones is momentarily the administrator who will carry out the terms of the bill. Well, Jesse Jones is simply human. He already has more work in

connection with the Government than any one man can possibly look after. If he were to cease to be the administrator for any reason, who would his successor be? Of course, that would depend entirely upon the President, and I, for one, would regret exceedingly to see the President's good Man Friday, Harry Hopkins, take on Jesse Jones' job together with the many others he has had with the Government during the last few years.

We will be told that in all "probability" this law will be administered fairly and justly. When drafting legislation, we should give consideration to the possibilities rather than the probabilities. Under this law, a corporation might be set up with complete power to build a Nicaragua Canal and, without amendments to the bill, the President might direct the formation of a corporation to carry out the St. Lawrence deep waterway project, the Passamaquoddy Bay project or the Florida Ship Canal project. Oh, it is said that Jesse Jones will not permit any of these things. Probably that is true, but possibly these things might happen. I am not in favor of granting these additional broad powers to any President and do not believe that this legislation in its present form is essential to our national defense. The Congress is going to be in constant session and, if it becomes necessary to do any of these unthought-of and extraordinary things in connection with financing corporations to operate anywhere throughout the world, then the country should know something about it. After all, the bonds issued by the R. F. C., the proceeds of which carry on these projects, are guaranteed by the Federal Government and, in the end, the taxpayers may be called upon to foot the bill.

In conclusion, may I urge that section 3 of the bill be amended to meet the objections suggested by Governor Van-Wagoner and others.

[Here the gavel fell.]

Mr. MICHENER. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include therein a letter from the Governor of Michigan, together with a letter from the mayor of the city of Ann Arbor, Mich.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HALLECK. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. DONDERO].

Mr. DONDERO. Mr. Speaker, section 3 of this bill not only has challenged my attention, but it has challenged the attention of the Governor of my State and also the mayor and the city council of the fourth largest city in the United States, the city of Detroit. If my recollection serves me correctly, this House passed a law making the income on all future issues of Government obligations subject to taxation. It is not retroactive. If this bill becomes law with section 3 in it, then we are going counter to the established policy of the Government to tax the income on Government obliga-

tions, by exempting the obligations of an agency of the Government from taxation. Section 3 of the bill amends section 10 of the Reconstruction Finance Corporation Act by broadening the exemption from taxation for all purposes of obligations of the Defense Homes Corporation, the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Co., the Rubber Reserve Co., and any other corporation theretofore or hereafter organized or created by the Reconstruction Finance Corporation. This is a broad delegation of power and is contrary and entirely inconsistent with the policy which we have established in making all State obligations subject to taxation. I realize the emergency, but we are establishing a principle which is not only dangerous but inequitable and unjust.

I can well imagine two houses in any city, town, or village in your district, one constructed and owned by a private individual, the other constructed and owned by an agency of the Government under the Reconstruction Finance Corporation, or any other corporation created by the R. F. C.; one subject to taxation, and the other considered personal property and exempt from taxation, local or otherwise. The inequity becomes apparent to all of us. In my judgment, this Federal gift horse needs a little mouth inspection because it will place a burden upon the local communities that have housing projects and properties established within their borders by these Federal agencies requiring Government service, but exempt from taxation; a burden which, in my judgment, will be entirely more than they can bear, and will strain the Government services of towns, the counties, the villages, and the school districts in every State in this Union.

I believe we would do well to consider carefully section 3.

May I read one line from a resolution passed by the City Council of Detroit in regard to this bill:

We respectfully urge all possible opposition to the passage of this bill.

This opposition is based entirely on the inequity I have pointed out.

I have faith and confidence in Jesse Jones. He has done a splendid job as a public officer and a public servant, but I believe we are going too far here in favoring the Federal Government and punishing the local and State governments by placing upon them a burden of taxation which they should not bear.

I hope the committee will offer an amendment before consideration of this bill is concluded to correct this glaring attempt to shift the burden of taxation of personal property belonging to governmental agencies to local communities or local governments.

For the benefit of the House, I insert in the RECORD, as a part of these remarks, a letter received from the Honorable Murray D. Van Wagoner, Governor of my State, and also a resolution passed by the Common Council of the City of Detroit, both bearing on the subject

which I have discussed. I am in complete accord with the position taken by Governor Van Wagoner, of Michigan, and the Common Council of Detroit:

STATE OF MICHIGAN,  
EXECUTIVE OFFICE,  
Lansing, May 23, 1941.  
Hen. GEORGE A. DONDERO,  
Member of Congress,  
Washington, D. C.

MY DEAR MR. DONDERO: I am writing to call your attention to amendments now being considered by the House of Representatives to the Reconstruction Finance Corporation Act as embodied in S. 1438.

We recognize the urgent need which has brought about these proposals, but we ask your specific attention to section 10. The proposed amendment of this section would make loans and personal property of the R. F. C. and all of its subsidiary corporations exempt from taxation by the States and their political subdivisions.

Such a provision in the Federal statutes would not seriously affect our State government. I am writing you principally in behalf of the local governments in this State—the counties, townships, schools, cities and villages—which depend largely upon the taxation of real and personal property for the maintenance of essential governmental services.

I realize that S. 1438 does not contemplate exempting the R. F. C. from real-property taxation, but local governments will find small comfort in this omission. Already established is the practice of constructing buildings to house defense-production machinery and other equipment on leased land; under Michigan law, all these, with the exception of the bare land itself, must be assessed as personal property, and personal property held by the R. F. C. is exempt under S. 1438. To date, less than 4 percent of all loans of the R. F. C. and its subsidiaries made for defense-production facilities has been used in the purchase of land.

The removal of R. F. C.-aided defense industries from the tax rolls of this State will greatly decrease the tax base of the local governments where those industries are located. The rate of taxation on commercial and residential property in those communities will increase in direct ratio to the amount of R. F. C. aid their defense industries are receiving.

I should like to point out that this is only one burden to be placed on the local communities by S. 1438. It is already obvious that defense industries are putting a great strain on many communities by their demand and need for those services which are the fundamental functions of local government—extension of water and sewer mains, police and fire protection, public health, additional school facilities, increased housing, and recreational facilities. S. 1438 would not only reduce the tax base which provides the normal demand for these services, but will require this smaller base to pay for extended services essential to defense industries themselves and for which they should pay their proportionate share.

That defense is a national responsibility evokes little argument, nor should there be any question of distributing the cost of defense over all the citizens. Municipalities, no more than individuals, should not be singled out to bear an unequal part of the burden. The Defense Plants Corporation and all other R. F. C. subsidiaries should pay for the services they require and receive from the local governments in which they are located. I urge you to consider the problems of the municipalities, schools, and counties of Michigan in which sizable defense contracts have been let. I sincerely hope that

S. 1438 will be amended to provide expressly for the taxation of these plants on a basis of equality with other property.

Sincerely yours,

MURRAY D. VAN WAGONER.

CITY OF DETROIT,  
OFFICE OF THE CITY CLERK,  
May 23, 1941.

Hon. GEORGE A. DONDERO,  
United States Representative,  
Washington, D. C.

DEAR SIR: At the direction of the common council, I am transmitting resolution approved by that body urging opposition to the passage of Senate bill 1438 relative to tax exemption for defense plants, etc.

Very truly yours,

THOS. D. LEADBETTER,  
City Clerk.

Whereas Senate bill 1438 passed by the Senate on May 16, exempts from all taxation all personal property and all loans of the R. F. C. and the following subsidiaries: Defense Plant Corporation, Defense Supplies Corporation, Metal Reserve Company, Rubber Reserve Company, RFC Mortgage Company, Federal National Mortgage Association, Disaster Loan Corporation, and any other public corporation heretofore or hereafter organized by or at the instance of the R. F. C. to aid the Government in its national-defense program; and

Whereas Detroit and Michigan are large industrial centers; and

Whereas it is apparent that the defense program will necessitate widespread use of our industrial facilities, thereby creating an impossible problem for local assessment boards to determine what portion of industrial activity is a part of the defense program; and

Whereas to exempt certain phases of defense activity and not all phases of defense activity will create chaos and discrimination; and

Whereas at the same time unusual facilities always are requested and furnished by the local communities to industry actively engaged in defense work; and

Whereas major exemption of industrial property in Michigan and in Detroit will increase excessively the real-estate tax in the local communities: Therefore be it

*Resolved*, That the mayor and the common council of the city of Detroit earnestly and respectfully urge all possible opposition to the passage of this bill; furthermore be it

*Resolved*, That the city clerk be, and he is hereby, instructed to transmit copy of this resolution to the Members of the United States Senate and the House of Representatives, Washington, D. C., from the State of Michigan.

Mr. PATRICK. Mr. Speaker, will the gentleman yield?

Mr. DONDERO. I yield to the gentleman from Alabama.

Mr. PATRICK. What I wish to inquire of the gentleman has nothing to do with the bill. The gentleman has a gentlemanly, courteous, and statesmanlike way of conducting himself. I wanted to hear the 20-minute address the gentleman was to have made yesterday on the conduct of Members of the House. I should like to know when the gentleman is going to give that speech, because I certainly do not want to miss it.

Mr. DONDERO. I thank the gentleman from Alabama for his generous compliment. If the gentleman will read this morning's RECORD, he will find there the speech made last night.

Mr. PATRICK. Is the gentleman going to make that speech on the floor?

Mr. DONDERO. I made the speech on the floor last night.

Mr. PATRICK. Will the gentleman kindly make that speech again at some future time, even though it does appear in the RECORD? I believe we would all profit by it.

Mr. DONDERO. I am afraid that repetition might be a sign of weakness.

[Here the gavel fell.]

Mr. SABATH. Mr. Speaker, I yield 5 minutes to the gentleman from Georgia [Mr. PACE].

Mr. PACE. Mr. Speaker, the proclamation of an unlimited national emergency issued by the President last evening naturally creates in the minds of many Members of the Congress and the people concern as to what the powers of the President are under a national emergency. I thought it might be of service to the Members of the House and the public generally if I called attention to the fact that year before last, in response to a resolution by the Senate, the Attorney General filed a list of the statutes which by their terms grant powers that may be exercised by the Executive in an emergency or in a state of war. That document is about out of print this morning and at the conclusion of my remarks I am going to ask unanimous consent that it be incorporated in today's RECORD so that it may be available for the use of all the Members.

Mr. MICHENER. Mr. Speaker, will the gentleman yield there?

Mr. PACE. Of course.

Mr. MICHENER. Very recently I had the legislative reference service of the Library of Congress make a compilation covering that same matter and it is much longer than the list the gentleman refers to and has been brought up to date. I am wondering if the gentleman might not include that document rather than the one he refers to.

Mr. PACE. Of course, I shall be delighted to do so if the gentleman will supply me with it.

Mr. MICHENER. I shall be pleased to do that.

Mr. PACE. I may say on the question of authority that you will find numerous acts enacted by the Congress authorizing the President to exercise special powers. For instance, in the act of 1916 "to increase the Army in time of war or similar emergency when the public safety demands it." The act of 1918 authorizes the President to increase the authorized strength of the Navy "whenever, in his judgment, a sufficient emergency exists." The act of 1916 provided for a suspension of the requirement of sea service in connection with promotion of officers during war or a national emergency declared by the President.

I do not think there is any question, under the accumulation of statutes enacted by the Congress throughout the years, many of which were enacted during the last World War, that there is ample authority in the President, but what I arose to say was that all of us are interested in what his respective powers are and the extent of them. Mr. Speaker, I now ask that I may be permitted to extend my remarks in the RECORD, and to

include therein the proclamation issued by the President last evening, declaring a national emergency, and to include therein the talk of the President last evening and include therewith the compilation which the distinguished gentleman from Michigan [Mr. MICHENER] has referred to, annotating the different statutes and outlining the special powers of the President in time of national emergency or under the condition of a state of war.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. WALTER. Mr. Speaker, will the gentleman yield?

Mr. PACE. I yield.

Mr. WALTER. Does the gentleman feel that the President has any more powers after the declaration of last night than he had after the declaration that was made last September?

Mr. PACE. Unquestionably. I think the September declaration by the President was, by its express terms, limited for the specific purposes outlined in the declaration, and the declaration by the President last evening is, under its own terms, unlimited and invokes every power and every authority of the President of the United States given by statute and also those undefined, unlimited, and unquestionable, and I might say indefinable, powers which come to the President as Chief Executive under the Constitution of the United States and as Commander in Chief of the armed forces of the United States.

Mr. RANKIN of Mississippi. Mr. Speaker, will the gentleman yield?

Mr. PACE. I yield to the gentleman.

Mr. RANKIN of Mississippi. The gentleman from Georgia is a good lawyer——

Mr. PACE. I am not so sure about that.

Mr. RANKIN of Mississippi. And I would like for the gentleman to comment on this proposition. Some Members have expressed the view that this proclamation gives the President the right to suspend the writ of habeas corpus or suspend the right of trial by jury.

Mr. PACE. The Constitution provides that the privilege of the writ of habeas corpus shall not be suspended unless, in cases of rebellion or invasion, the public safety may require it. The President's proclamation does not declare martial law and certainly does not authorize suspension of the writ of habeas corpus or trial by jury.

Mr. RANKIN of Mississippi. That can be done only in time of war?

Mr. PACE. Only in cases of rebellion within or invasion from without.

Mr. RANKIN of Mississippi. So it could not be affected by this proclamation?

Mr. PACE. Unquestionably, it could not.

Mr. GIFFORD. Mr. Speaker, will the gentleman yield?

Mr. PACE. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. I wonder if the gentleman would explain to us how in the world the President can assume unto

himself the power that if any of the Axis Powers assume to occupy Dakar or the Cape Verde Islands or the Azores that he would consider that a dangerous act; that is, dangerous to the United States, and he would proceed to repel it. Where does he get quite that power?

Mr. PACE. Of course, as the Commander in Chief of the Army and Navy, it is not only the power and the right of the President, but it is certainly his most solemn duty to take such measures as will protect this Nation.

Mr. GIFFORD. How far beyond that could he go in regarding it as so dangerous to our safety that he would repel it? I suppose it is in that indefinable sphere the gentleman spoke of.

Mr. PACE. I think there is an indefinable sphere; I do not think there can be any question about that. The United States Supreme Court and the Attorneys General since 1800 have said so and as they have said, it is necessarily indefinable because it must meet different conditions and circumstances as they arise.

Mr. GIFFORD. Does it not appeal to the gentleman that it is a very extraordinary statement that he is going to assume, if the Axis powers should take possession of any place that might be dangerous to our well-being, the power referred to and that he would repel it?

Mr. PACE. I think there must be some authority somewhere to set up and determine what state of circumstances endangers this Nation. I am sure the gentleman is familiar with numerous instances in the past where different Presidents have acted quickly and without any express authority from the Congress, because they found conditions or a situation had developed which required immediate action in order to safeguard the safety of the Nation.

Mr. GIFFORD. And he has to determine that himself?

Mr. PACE. I do not know any other source that could determine it, with the advice of his military and naval advisers.

Mr. RANKIN of Mississippi. And it is a well-established and fundamental principle of law, civil or international, that resistance is never supposed to be withheld until it can be of no avail. If any act is taken that threatens the integrity of the United States, certainly it could be repelled without waiting for an act of Congress or an amendment to the Constitution.

Mr. GIFFORD. Is the word "integrity" involved?

Mr. RANKIN of Mississippi. Territorial integrity and safety of the United States I think; yes.

Mr. GIFFORD. But integrity and safety have different meanings.

Mr. RANKIN of Mississippi. I think the word integrity from the standpoint of national integrity has the proper meaning in this instance.

The SPEAKER. The time of the gentleman from Georgia has again expired.

The matters above referred to follow:

#### PROCLAMATION OF EMERGENCY

Whereas on September 8, 1939, because of the outbreak of war in Europe, a proclamation was issued declaring a limited national emergency and directing measures "for the purpose of strengthening our national de-

fense within the limits of peacetime authorizations";

Whereas a succession of events makes plain that the objectives of the Axis belligerents in such war are not confined to those avowed at its commencement but include overthrow throughout the world of existing democratic order and a world-wide domination of peoples and economies through the destruction of all resistance on land and sea and in the air; and

Whereas indifference on the part of the United States to the increasing menace would be perilous, and common prudence requires that for the security of this Nation and of this hemisphere we should pass from peacetime authorizations of military strength to such a basis as will enable us to cope instantly and decisively with any attempt at hostile encirclement of this hemisphere, or the establishment of any base for aggression against it, as well as to repel the threat of predatory incursion by foreign agents into our territory and society:

Now, therefore, I, Franklin D. Roosevelt, President of the United States of America, do proclaim that an unlimited national emergency confronts this country, which requires that its military, naval, air, and civilian defenses be put on the basis of readiness to repel any and all acts or threats of aggression directed toward any part of the Western Hemisphere.

I call upon all the loyal citizens engaged in production for defense to give precedence to the needs of the Nation to the end that a system of government that makes private enterprise possible may survive.

I call upon our loyal workmen as well as employers to merge their lesser differences in the larger effort to insure the survival of the only kind of government which recognizes the rights of labor or of capital.

I call upon loyal State and local leaders and officials to cooperate with the civilian defense agencies of the United States to assure our internal security against foreign-directed subversion and to put every community in order for maximum productive effort and minimum of waste and unnecessary frictions.

I call upon all loyal citizens to place the Nation's needs first in mind and in action to the end that we may mobilize and have ready for instant defensive use all of the physical powers, all of the moral strength, and all of the material resources of this Nation.

In witness whereof, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

Done at the city of Washington this twenty-seventh day of May, in the year of our Lord nineteen hundred and forty-one, and of the independence of the United States of America the one hundred and sixty-fifth.

FRANKLIN D. ROOSEVELT.

By the President:  
CORDELL HULL, Secretary of State.

#### TEXT OF PRESIDENT'S SPEECH PROCLAIMING FULL EMERGENCY

I am speaking tonight from the White House in the presence of the Governing Board of the Pan-American Union, the Canadian Minister, and their families. The members of this board are the ambassadors and ministers of the American republics in Washington. It is appropriate that I do this. Now, as never before the unity of the American republics is of supreme importance to each and every one of us and to the cause of freedom throughout the world. Our future independence is bound up with the future independence of all of our sister republics.

The pressing problems that confront us are military problems. We cannot afford to approach them from the point of view of wishful thinkers or sentimentalists. What we face is cold, hard fact.

The first and fundamental fact is that what started as a European war has developed, as the Nazis always intended it should develop, into a world war for world domination.

Adolf Hitler never considered the domination of Europe as an end in itself. European conquest was but a step toward ultimate goals in all the other continents. It is unmistakably apparent to all of us that, unless the advance of Hitlerism is forcibly checked now, the Western Hemisphere will be within range of the Nazi weapons of destruction.

For our own defense we have accordingly undertaken certain obviously necessary measures:

First, we joined in concluding a series of agreements with all the other American republics. This further solidified our hemisphere against the common danger.

#### LARGEST ARMS PROGRAM EVER LAUNCHED

And then a year ago we launched and are successfully carrying out, the largest armament production program we have ever undertaken.

We have added substantially to our splendid Navy, and we have mustered our manpower to build up a new Army which is already worthy of the highest traditions of our military service.

We instituted a policy of aid for the democracies—the nations which have fought for the continuation of human liberties.

This policy had its origin in the first month of the war, when I urged upon the Congress repeal of the arms embargo provisions in the neutrality law. In that message of September 1939 I said, "I should like to be able to offer the hope that the shadow over the world might swiftly pass. I cannot. The facts compel my stating, with candor, that darker periods may lie ahead."

In the subsequent months the shadows deepened and lengthened. And the night spread over Poland, Denmark, Norway, Holland, Belgium, Luxembourg, and France.

In June 1940 Britain stood alone, faced by the same machine of terror which had overwhelmed her allies. Our Government rushed arms to meet her desperate needs.

In September 1940 an agreement was completed with Great Britain for the trade of 50 destroyers for eight important offshore bases.

#### HARD-HEADED CONCERN FOR OUR OWN SECURITY

In March 1941 the Congress passed the lend-lease bill and an appropriation of \$7,000,000,000 to implement it. This law realistically provided for material aid "for the government of any country whose defense the President deems vital to the defense of the United States."

Our whole program of aid for the democracies has been based on hard-headed concern for our own security and for the kind of safe and civilized world in which we wish to live. Every dollar of material we send helps to keep the dictators away from our own hemisphere. Every day that they are held off gives us time to build more guns and tanks and planes and ships.

We have made no pretense about our own self-interest in this aid. Great Britain understands it, and so does Nazi Germany.

And now—after a year—Britain still fights gallantly, on a far-flung battle line. We have doubled and redoubled our vast production, increasing month by month our material supply of tools of war for ourselves and Britain and China—and eventually for all the democracies.

The supply of these tools will not fail—it will increase.

With greatly augmented strength, the United States and the other American republics now chart their course in the situation of today.

Your Government knows what terms Hitler, if victorious, would impose. They are,

tence of a general court martial or in mitigation thereof.

Act of July 2, 1926 (44 Stat. 781; U. S. C. 10:291d, 291f): In order to receive a rating as pilot, an Army officer or enlisted man must have flown in heavier-than-air craft for 200 hours as pilot, 75 of them alone. Not less than 20 percent of the total number of pilots employed in Air Corps tactical units are to be enlisted men.

Act of January 29, 1929 (45 Stat. 1144; U. S. C. 28:334): Not more than 25 copies of Supreme Court Reports are to be distributed to the Secretary of War for military headquarters which exercise general court-martial jurisdiction.

Act of June 30, 1932 (47 Stat. 451, c. 326; U. S. C. 34:735, par. 8): Not less than 20 percent of the total number of pilots employed in aviation tactical units of the Navy and Marine Corps are to be enlisted men, except when the Secretary of the Navy finds it impracticable to secure that number.

Act of March 4, 1933: See under II (b) above (p. 24).

Act of June 15, 1933 (48 Stat. 154; U. S. C. 10:353, 370): Officers of the Officers' Reserve Corps must at the time of appointment be citizens of the United States (or of the Philippine Islands) (see act of June 12, 1934, 48 Stat. 939, c. 467) between 21 and 60 years of age. Only former Army officers may be originally appointed as Reserve officers in the Infantry, Cavalry, Field Artillery, or Air Corps in a grade above that of second lieutenant. So far as practicable, Reserve officers must be assigned to units in the locality of their place of residence.

Same (p. 155, sec. 4; U. S. C. 32:142a): The President may order officers of the National Guard of the United States to certain active duty, with their consent.

Same (p. 156, sec. 5; U. S. C. 32:4a): The National Guard of the United States are to be administered, armed, uniformed, etc., as the National Guard of the several States, Territories, and the District of Columbia.

Same (p. 157, sec. 10; U. S. C. 32:125): Discharges may be given in the National Guard and the National Guard of the United States prior to the expiration of terms of enlistment, under regulations prescribed by the Secretary of War.

Act of June 15, 1933 (48 Stat. 159, § 15; U. S. Code 32:133): National Guard enlisted men may not by transfer between the active and inactive Guard, be required to serve under any enlistment for a longer time than the period for which they enlisted.

Act of July 22, 1935 (49 Stat. 488, § 2): See under II (b), above (p. 24).

Act of April 27, 1937 (50 Stat. 108): The issuance, for current use, of strategic and critical materials acquired under Navy Appropriation Act of April 27, 1937, is restricted. (Repeated in appropriation acts of April 26, 1938 (52 Stat. 235) and May 25, 1939 (53 Stat. 770).)

Act of April 22, 1938 (52 Stat. 220, c. 167; U. S. Code Supp. 10:27, 28, 532, note): Army officers of the line are not to be detailed as members of the General Staff Corps unless they have served 2 of the preceding 6 years with combatant troops, or as instructor of the National Guard, Organized Reserves, or Reserve Officers' Training Corps; officers below the grade of brigadier general must perform duty with combatant troops for at least 1 year in every period of 5 consecutive years, except that officers of less than 1 year's commissioned service in the Regular Army may be detailed as students at service schools.

Act of June 3, 1938 (52 Stat. 610, c. 319, § 1; U. S. Code Supp. 10:25): The detail of an officer to the General Staff Corps is to be for a period of 4 years unless sooner relieved.

Act of June 23, 1938 (52 Stat. 944, c. 598, § 3): See under II (b), above (p. 24).

Same (p. 951, § 13; U. S. Code Supp. 34:393a): When the yearly average number

of vacancies in the grade of rear admiral is found to be less than eight, the Secretary of the Navy is to convene a board to recommend for retirement a sufficient number of rear admirals to bring the average number of vacancies to eight.

Same (p. 952 (b)): See under II (b) above (p. 24).

Same (p. 952 (e); U. S. Code Supp. 34:687): Provision for maintenance of average number of vacancies in grade of general officer of the line of the Marine Corps.

Act of June 25, 1938 (52 Stat. 1176, § 5, § 6; U. S. Code Supp. 34:853c, 853d): Members of the Naval Reserve may be ordered to or continued on active duty with their consent only; they may be released from active duty by the Secretary, and may be discharged only upon expiration of their term of service or upon their own request.

Same (p. 1179, § 205, § 206; U. S. Code Supp. 34:854d, 854e): Men transferred to the Fleet Reserve for a 4-year period upon termination of enlistment in the Regular Navy may be ordered to active duty only with their own consent; men who have served 16 years in the Regular Navy are not to be required to perform more than 2 months' active duty in each 4-year period in the Fleet Reserve.

Same (p. 1180, § 302; U. S. Code Supp. 34:855a): Officers of the Naval Reserve, upon first reporting for active or training duty, are to be paid \$100 for required uniforms, and thereafter an additional \$50 upon the completion of each 4-year period in the Reserves.

Same (p. 1181, § 303; U. S. Code Supp. 34:855b): The Secretary of the Navy is to prescribe regulations for the issuance of uniforms, etc., to midshipmen, merchant-marine cadets, nurses, and enlisted men of the Naval Reserve.

Same (p. 1181-1182, § 304-306; U. S. Code Supp. 34: 855c-855e): Members of the Naval Reserve injured in line of duty in time of peace are entitled to the same benefits as civil employees of the United States.

Officers of the Naval Reserve shall be commissioned to serve during the pleasure of the President.

One rear admiral is allowed in the Naval Reserve and one brigadier or major general in the Marine Corps Reserve.

Same (p. 1183, § 311; U. S. Code Supp. 34:855j) as amended by the act of August 27, 1940 (54 Stat. 865, § 8 (e); Pub. No. 775, 76th Cong.).

Naval Reserve officers are to take precedence according to regulations prescribed by the Secretary of the Navy.

Same (p. 1184, § 315; U. S. Code Supp. 34:855n): Members of the Naval Reserve in receipt of pay for performance of drills, etc., may be required to perform such duty up to 15 days annually.

Act of April 3, 1939 (53 Stat. 558, sec. 8; U. S. C. Supp. 10: 481b): The peacetime commissioned strength of the Regular Army is prescribed, with a total of 16,719 officers.

Act of June 13, 1939 (53 Stat. 820, sec. 5; U. S. C. Supp. 34: 849c): Officers commissioned pursuant to the Naval Aviation Reserve Act of 1939 may be employed on active duty only during the 7-year period following the completion of their duty as aviation cadets undergoing training, except for the purpose of instructing and training members of the Naval Reserve and the Marine Corps Reserve.

Act of July 15, 1939 (53 Stat. 1042, ch. 284; U. S. C. Supp. 5: 797): The benefits of the United States Employees' Compensation Act are extended to members of the Officers' Reserve Corps or of the Enlisted Reserve Corps of the Army physically injured in line of duty while on active duty, or traveling to or from such duty, or training without pay, or dying as a result of such physical injury. (See act of July 18, 1940, below.)

Act of July 18, 1940 (54 Stat. 762, ch. 633; Pub. No. 747, 76th Cong.): The benefits of the Employees' Compensation Act are extended to members of the Officers' Reserve Corps or of the Enlisted Reserve Corps of the Army physically injured in line of duty.

Act of September 16, 1940 (54 Stat. 886 (c), 887, sec. 5 (b); Pub. No. 783): A person who completes 12 months' training and service in the land forces, and thereafter serves satisfactorily in the Regular Army or in the active National Guard for at least 2 years, is to be relieved from liability to serve in any Reserve component of the land or naval forces, etc.

Various classes of persons are exempt from liability to serve in any Reserve component of the land or naval forces of the United States in time of peace.

Act of October 8, 1940 (54 Stat. 1023, ch. 765, sec. 4; Pub. No. 808): Officers of the Naval Reserve and Marine Corps Reserve may be employed on active duty other than training duty for periods determined by the Secretary of the Navy.

Coast Guard Auxiliary and Reserve Act of February 19, 1941 (55 Stat. —; Public Law 8, sec. 205, 77th Cong.): Members of the United States Coast Guard Reserve are not to be ordered to or continued on active duty without their consent, except for certain disciplinary measures; and the Commandant may release any member from active duty in time of peace.

**Mr. HALLECK.** Mr. Speaker, I yield myself 5 minutes. As the resolution that we are presently considering was offered a point of order was made against it. The point of order was subsequently withdrawn, but the circumstances that gave rise to the original raising of the point of order should be brought to the attention of the House.

This bill was brought before the Committee on Rules. Certain members of the legislative committee appeared and asked for a rule. There was some resistance because of the form of the bill. Subsequently, as I understand it, the legislative committee, the Committee on Banking and Currency, agreed to certain amendments to the bill which are to be offered. It is my understanding that these amendments very materially change several important provisions of the bill.

The thing that I say ought to be considered is this: So far as I know, those amendments are not in print anywhere. I do not think a Member of the House here today, except as he might find some member of the legislative committee who has a copy of the amendments, could find out what it is proposed to do in this bill. In other words, I think these bills should be brought in as clean bills, with the considered judgment of the legislative committee back of them, with a report that is written and drafted along the lines of the bill as it is expected to be presented to the House. I say it is a sorry situation indeed that this bill is here as it is today, to be materially amended as agreed by the committee but without the amendments generally available.

Now to talk a bit about the bill. It does a number of things, but there are two or three things I shall comment upon. First, it undertakes to extend for 6 years, not 1 year, the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority and then it seeks to

greatly expand the power of the President and the Federal Loan Administrator to go into all kinds of business, to spend or lend a billion and a half dollars, setting up any kind of business, to carry out all sorts of projects, to do all manner of things, just so long as the President and the Loan Administrator determine in their own judgment that that action is necessary to expedite national defense.

I recognize that in this emergency additional powers must be granted to a strong centralized Government. The genius of the people of America has been evidenced in the fact that in crises and emergencies we have granted strong centralized power. But I say that the genius of the American people has been better evidenced in the fact that after the emergency and the crisis are over the people have taken back to themselves and to their local governments the powers that were granted to the strong centralized government in order that the crisis or emergency might be met. Take this bill. We grant tremendously increased power to the President and to the Loan Administrator. I am not prepared at the moment to say that with the adoption of the amendments proposed by the committee and to be proposed by Members it may not be a proper delegation of authority. But it is an overawing and far-reaching grant of power which may have tremendous consequence. And then I reflect upon the action of last night declaring an unlimited emergency, carrying with it, as it is alleged, far-reaching powers over all the people of the land, all of our business, our lives, and our economy. I say many of these things may be necessary to meet the war crisis in which we presently find ourselves, but I would feel a lot better about granting those emergency powers to meet the critical war situation and the defense situation now before the country, if the administration were a little quicker to grant back to the people some of the powers that were taken in the early days of the administration supposedly to cope with a depression then threatening the country—powers many of which I say today are obsolete and unnecessary. You have all sat here and watched people from downtown and people here in this House resist to the very end the taking back by the people and their representatives of any of the powers originally granted to centralized government here in Washington on the proposition that they were necessary to deal with the depression.

[Here the gavel fell.]

Mr. HALLECK. Mr. Speaker, I yield myself 5 additional minutes.

In this particular bill, along with the tremendously increased grant of authority to the Reconstruction Finance Corporation, are provisions that I commented upon a moment ago, to extend for 6 years the Disaster Loan Corporation and the Electric Home and Farm Authority.

Mr. RANKIN of Mississippi. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. Not at this time. I would like to continue a little longer. For the information of the gentleman and for the information of the House

generally, I have supported rural electrification and have supported measures designed to carry it out. I recognize its benefits.

If I understand the operations of the Electric Home and Farm Authority correctly, here is about what they do: They discount the notes of the electric appliance dealers who sell electric appliances and equipment to folks who are putting electric power in their homes.

I take it that the gentleman from Mississippi [Mr. RANKIN] would agree with me that primarily and fundamentally throughout all of our history the lending of money has always been a matter of private enterprise. It has always been so considered. It is true the Government stepped in in the depths of the depression, when private credits were failing, and did lend money under many different circumstances and in all sorts of situations. But what I am getting down to is this: Even though we would like to see the Rural Electrification Administration extended, even though we feel that the intervention of the Government is the proper thing in order for people to have more use of power, does it not occur to you that this might be one of the things adopted by the administration to deal with the depression, that is being held onto in war-boom times? Is it an operation that might well be turned back to private enterprise by the Government, particularly in view of the all-out defense and war effort now being asked of us?

Now, the Disaster Loan Corporation, I think, started in 1937 because of some floods that struck the country. I have an idea that that was started primarily because local credit was breaking down; because times were hard and the depression was upon us. The intervention of Government was called for. But are we to say by the passage of this legislation, coming at this time of great crisis—which I say demands sacrifice and toil and sweat on the part of everybody—are we to say that in this very bill where we extend and increase the powers of the R. F. C. in one direction, we shall not in any manner decrease them in any other direction? That is the thing that finally disturbs me.

When we had the lease-lend bill under consideration some of my friends came to me and spoke about it. I said, "It grants tremendous power to the President and I am concerned about it." They said, "Why?" I said, "One thing is that this administration seems so reluctant to ever give back any power once it takes it." They said, "Why do you not make a deal? Why do you not have the Government give up the power to further devalue the dollar, and some of these other powers that are now likely not needed, in exchange for the granting of this power?" "Of course," I said, "you will never get anything like that done." I say the thing that disturbs me most is that as we go along and grant these additional powers, which I suppose in large measure we must grant, there is no real relinquishment of power. I feel a little hesitant about approving some of these measures when I reflect on the fact that these tremendous powers over the lives of the peo-

ple and these invasions of private enterprise and local government, concentrated here in Washington, either in the hands of the President or in Congress or in bureaus and agencies downtown, are seldom, if ever, relinquished to the people when the need for them has terminated.

Mr. MAGNUSON. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. Yes; I yield.

Mr. MAGNUSON. Is it not more or less the fault of Congress itself? Much of this power that the President assumed last night comes from old World War No. 1 laws that have never been repealed by this Congress, whereas all the emergency powers that Congress has given to the President, in nearly every bill there has been a time limitation placed.

Mr. HALLECK. I am of course in favor of the time limitation insofar as it makes it possible to have that power run out and requires affirmative action; but I am frank to confess that as we have gone along I have not seen many of these powers terminated. It seems there is always somebody somewhere who wants to have the law put back into effect again. [Applause.]

[Here the gavel fell.]

Mr. SABATH. Mr. Speaker, I yield 4 minutes to the gentleman from Mississippi [Mr. RANKIN].

Mr. RANKIN of Mississippi. Mr. Speaker, I merely wish to reply to the gentleman from Indiana [Mr. HALLECK] on the subject of the Electric Home and Farm Authority.

When this Authority was first created the opposition feared that it intended to sell electrical appliances and put the local dealers out of business.

It has done nothing of the kind. Instead it has financed those dealers, so to speak, and enabled the purchasers to buy electrical appliances without paying the loan sharks the exorbitant interest they had formerly been compelled to pay. It has not lost the Government any money, and by all means it ought to be extended for another 6 years.

Let me call the attention of the gentleman from Indiana to the fact that 8 years ago 19 percent of the people in my town who had electricity in their homes had electric refrigerators, and the figure throughout the country was 29 percent. Today in my home town 90 percent of the electric consumers have electric refrigerators, and the figure for the country at large has gone from 29 percent to 48 percent. In one county in my district 36 percent of the electric power consumers have electric ranges. The Nation-wide increase is continuing all the time.

The first line of defense in America is the American home. Do not forget that. When you do something to build up the American home, to brighten it, if you please, to make it more comfortable and more desirable, and to relieve its drudgery you are doing more than almost any other one thing the American Congress can do to make America strong and great.

I know some of you thought I was wrong on rural electrification and in my contention that the water power of this Nation belongs to all the American peo-

ple and should be developed for their benefit. I have never been selfish or sectional in that contention. I fought to extend rural power to every farm home, and I have supported this Electric Home and Farm Authority and urged it to operate in every nook and corner of the United States where it was necessary to enable the home owners on the farm, in the town, or in the city to purchase those appliances necessary for the enjoyment of modern life.

I have urged the development of all the water power in America that was available and necessary to place electricity in every home and in every business establishment at what it is worth, which would save the American people a billion dollars on their electric-light and power bills every year.

Mr. GIFFORD. Mr. Speaker, will the gentleman yield?

Mr. RANKIN of Mississippi. I yield for a question.

Mr. GIFFORD. Such a pretty picture. But it is not all pretty. One I know of bought himself all these appliances. He has not only lost his home but the appliances as well.

Mr. RANKIN of Mississippi. Oh, the gentleman from Massachusetts knows there is not a person in his district who has lost his home because of what he owes to the Electric Home and Farm Authority. He might have lost his home for other reasons, but not because of this beneficent activity that has been carried on for years and which is today giving satisfaction not only to businessmen but to home owners who have to purchase these appliances. [Applause.]

[Here the gavel fell.]

Mr. SABATH. Mr. Speaker, I yield such time as he may desire to the gentleman from Florida [Mr. GREEN].

Mr. GREEN. Mr. Speaker and Members of the House, I have just learned with deep interest of the signal honor which has been conferred upon a former Member of the House of Representatives, the Honorable Dr. Herbert J. Drane, of Lakeland, Fla. For 16 years he most ably represented the First Congressional District of Florida. A native of the State of Kentucky, his ancestry is traced to early settlers of Maryland and Virginia. He came to Florida when quite a young man and settled in Polk County 57 years ago. He saw not only Polk County develop into one of Florida's most populous counties but saw also the town of Lakeland grow from a small village to a thriving and progressive city.

He represented Polk, his home county, in both branches of the Florida Legislature; judiciously presided as president of the Florida State Senate; and he is remembered here in the Halls of Congress as a most able, fearless, faithful, and wise Representative. For many years it was my fortune to serve with him as a colleague from Florida and to know him not only officially but also to enjoy his full personal friendship. He is a man of noble character, possessed of high and patriotic principles and determined to do his duty at all times.

His higher wisdom and outstanding service for the State of Florida and for the Nation was long ago recognized by one

of Florida's larger institutions of higher learning, which conferred upon him the honorary degree of doctor of laws. No man in Florida has ever so justly enjoyed higher esteem, trust, and confidence in the minds and hearts of Florida people than Dr. Drane.

Upon retiring from Congress in 1933, he rendered an outstanding service for over 4 years as a member of the Federal Power Commission. In this capacity his applied knowledge of the power industry in America and his unflinching stand for justice and equity gave everlasting benefits to the American people. [Applause.]

He was recently honored as Lakeland, Florida's, No. 1 citizen through the naming of the city's new airport, Drane Field. In commenting upon this event, the Lakeland Ledger of Thursday evening, May 22, 1941, said:

AIRPORT NAMED FOR H. J. DRANE—COMMISSIONERS VOTE UNANIMOUSLY TO HONOR FORMER CONGRESSMAN

Lakeland's airport No. 2 has been named Drane Field in honor of Herbert J. Drane, former Congressman, who became a resident here 57 years ago at the age of 20.

A resolution to name the project now under construction in honor of the community's No. 1 citizen was adopted unanimously by members of the city commission at their meeting this morning.

Informed a few minutes later that the honor had been bestowed upon him, he sat in silence at his desk for a few moments as he sought to restrain his emotions.

"This touches me deeply," he said finally. "I appreciate this honor more than I can ever say. The commissioners were extremely kind in doing such a thing."

Questioned for details concerning his early years in Lakeland, he leaned back in his chair and reviewed in fond recollection the experiences which came to him as he rode a pony into this area, set up a tent where the Lakeland Terrace Hotel now stands, and went to work for the H. B. Plant Investment Co., which soon extended the railroad from Kissimmee, through Lakeland, to Tampa.

He is a native of Kentucky, but came here from Georgia. He was ill and was seeking a healthful climate.

Aside from establishing the insurance firm now known as H. J. Drane & Son, Inc., he served in the Florida House of Representatives during the 1903 session, was president of the Florida Senate during the 1913 session, served in the United States House of Representatives from 1917 to 1933, and was a member of the Federal Power Commission 4 years.

"At the end of my 4 years on the Commission, I wanted to come back to Lakeland and spend the remainder of my days among my own people," he said.

RESOLUTION

The resolution adopted by the Commissioners follows:

"Whereas Herbert J. Drane is one of Lakeland's outstanding citizens, having lived here since the municipality's inception, and not only having served his home city in every capacity but having brought great honor and renown to same through his years of service as a Member of Congress; and

"Whereas the city of Lakeland is now constructing a modern airport; and

"Whereas it is the considered opinion of the City Commission of the City of Lakeland, Fla., that it is both fitting and proper to, in a small measure, give recognition to the outstanding services rendered by the dean of its citizens, the Honorable Herbert J. Drane; Now, therefore, be it

*"Resolved, by the City Commission of the City of Lakeland, Fla., That Lakeland Airport*

No. 2, located and now being constructed on the following described land in Polk County, Fla., to wit:

"All of section 4, township 29 south, range 23 east, Polk County, Fla., be, and it is hereby designated and to be forever hereafter known as Drane Field."

Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include therein a short statement clipped from the Lakeland Ledger.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. RANKIN of Mississippi. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include therein certain tables which I have compiled on the power question.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. HALLECK. Mr. Speaker, I yield 2 minutes to the gentleman from Indiana [Mr. WILSON].

Mr. WILSON. Mr. Speaker, I think the President's speech clarified the position in which we as a nation have been for a long time—a nation over which one man holds the power of life and death.

Mr. Speaker, instead of a government "of the people, by the people, and for the people," we shall now see the workings of a government "of a nation, by a man, and for the world."

This spread of the United States obligation to protect and guarantee an ever-widening margin means only that we are edging toward and even asking for a part, a fighting part, in this war—a position which I have opposed from the first.

Our President did not ask or consult before declaring his "I" speech. The American people, and Congress in particular, can consider themselves "told" as of 9:30 p. m. eastern standard time, Tuesday, May 27, 1941.

Mr. Speaker, I am happy that he mentioned "tolerance" and did not lose his temper and call all those who disagree with him unpatriotic names. This is necessary for national unity, which, in my opinion is essential.

Also I think it is well that there is no longer any doubt in the minds of American citizens as to our national policy. We could not continue to stagger and hope either to force our way of life on others or to maintain it at home.

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made on the floor this morning and to include therein a letter from the Governor of Michigan and a resolution passed by the Common Council of Detroit.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. SABATH. Mr. Speaker, I yield such time as he may desire, to the gentleman from West Virginia [Mr. RANDOLPH].

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein correspondence with General Hershey, Deputy Director of the Selective Service System, and certain newspaper excerpts.

**THE SPEAKER.** Without objection, it is so ordered.

There was no objection.

**MR. SABATH.** Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

**DISASTER LOAN CORPORATION AND THE ELECTRIC HOME AND FARM AUTHORITY**

**MR. STEAGALL.** Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill S. 1438, to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill S. 1438, with Mr. COLE of Maryland in the chair.

The Clerk read the title of the bill.

The first reading of the bill was dispensed with.

**THE CHAIRMAN.** The gentleman from Alabama [Mr. STEAGALL] is recognized for one hour and a half.

**MR. STEAGALL.** Mr. Chairman, I desire to say a word in connection with references that were made in the discussion on the rule to the procedure under which this bill was brought to the House. I was not in the city and did not appear before the Rules Committee at any time.

It happened that the House bill was reported by the Committee on Banking and Currency, and after that, but before action by the Rules Committee, the Senate passed a similar bill, which was messaged over to the House and pending at the time of the application for a rule on the House bill. When I found this situation I called a meeting of the members of the Committee on Banking and Currency in order that we might simplify the proceedings from a parliamentary standpoint, and report the Senate bill by title, substituting the House bill after the enacting clause so that our action would be technically on the Senate bill, and in order that the Senate might accept the bill or leave the measure where it could be sent to conference.

When the Committee on Banking and Currency was called together to report this bill to meet the parliamentary situation as I have outlined, attention was called to the fact that suggestion had been made by a member of the Rules Committee that certain members of that committee looked with favor upon amendments that had been adopted by the Senate. The House committee while in session agreed to certain amendments to the House bill and it is the purpose of the Committee on Banking and Currency to offer those amendments when the bill is read for amendment. I was not present in the committee when the amendments were discussed and adopted, but the fact is that the Senate amendments to the bill, with slight amendments, were agreed to by the Banking and Currency

Committee and will accordingly be submitted to the House. I thought it might be well to state the history of this entire procedure on the part of the Banking and Currency Committee. Our action was in the nature of a concession to opponents of the measure and was predicated upon a desire to meet the views of those who were not in full accord with the original House bill.

**MR. GORE.** Will the gentleman yield?

**MR. STEAGALL.** I yield to the gentleman from Tennessee.

**MR. GORE.** In the one exception which the gentleman mentioned, in which we did not agree to the Senate amendments, does not the gentleman think the amendment which we did agree to, to be offered in lieu of the Senate amendment, is an improvement over the Senate amendment, in that it accomplishes the same purpose in better form?

**MR. STEAGALL.** I may say to the gentleman the question of whether it is an improvement might not be agreed to by everybody, but certainly it is true that the amendment agreed to by the House is an improvement from the standpoint of those who were opposed to the original provision and who desired to amend it.

Under one of the provisions which the Senate incorporated in its amendment, it limited the funds that might be employed by the Reconstruction Finance Corporation to \$300,000,000. This was under the general authorization carried in the bill, to which objection has been lodged, and the committee amendment, which will be submitted later, limits the service to be performed by the R. F. C. under that provision to the amount of \$100,000,000 instead of \$300,000,000. That is why I say the House provision is more liberal from the viewpoint of those who opposed the original measure than the Senate amendment.

**MR. MICHENNER.** Will the gentleman yield?

**MR. STEAGALL.** I yield to the gentleman from Michigan.

**MR. MICHENNER.** I think the gentleman was on the floor when I called attention to an objection to section 3 of the bill, which is an amendment to section 10 of the act, the objection having been made by the Governor of the State of Michigan. Has any committee amendment been improvised to take care of that situation?

**MR. STEAGALL.** Mr. Chairman, I wanted briefly to discuss the bill and leave the matter of amendments to come up later. The only reason I made reference to that was because of the discussion in reference to the parliamentary situation. I may say to the gentleman in answer to his question that the House Banking and Currency Committee intends to offer as committee amendments the Senate amendment to the original bill, with slight exceptions, relating to the situation which the gentleman has in mind. I suggest that we reserve discussion until the amendments are offered.

**MR. MICHENNER.** The Senate amendment is the one to which these municipalities all over the country are objecting.

**MR. STEAGALL.** I understand that I am only stating what the action of our

committee was on that amendment. That is a matter that can be discussed later and the gentleman will have his opportunity.

**MR. SABATH.** Will the gentleman yield?

**MR. STEAGALL.** I yield to the gentleman from Illinois.

**MR. SABATH.** They do not object to the provision reducing the amount from \$300,000,000 to \$100,000,000, as agreed to by the House committee. That seems to be approved in general.

**MR. STEAGALL.** I did not mean to discuss these amendments. As I understand the provisions of the Senate bill the provisions of existing law are liberalized so as to permit income and profits from income derived from any of the stocks, bonds, and obligations of the Reconstruction Finance Corporation to be placed in the same category as private individuals and to permit taxation in accordance with the tax bill recently passed. That is as far as we have gone.

**MR. WHITE.** Will the gentleman yield?

**MR. STEAGALL.** I yield to the gentleman from Idaho.

**MR. WHITE.** My question goes to the effect of taxation. Section 3 reads:

Section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by adding at the end thereof the following new sentences: "The foregoing exemptions with respect to taxation (which shall, for all purposes, be deemed to include sales taxes and use taxes) \* \* \* are hereby extended to apply with respect to Defense Homes Corporation.

I want to ask a question.

**MR. STEAGALL.** Let me answer. I understand what your question is.

**MR. WHITE.** I do not think the gentleman does. In the event the Defense Homes Corporation goes into a community where one of these defense industries are located and builds a thousand homes for the accommodation of temporarily employed people, as long as the title to that property is in the Defense Homes Corporation, will they be exempt from local taxation?

**MR. STEAGALL.** If they come under the Defense Homes Corporation they will be exempted, because the investments made will be from funds supplied by the President in connection with the defense program, but all of the agencies of the Reconstruction Finance Corporation and the Corporation itself will be embraced in the tax law passed this year.

**MR. WHITE.** May I remind the gentleman that right now serious problems are arising in connection with the support of schools by reason of the influx of temporarily employed people bringing in large families to be educated, with no school facilities and no taxation available. How are you going to meet that situation if you are going to exempt these houses from taxation?

**MR. STEAGALL.** Did I understand the gentleman to indicate that there is any objection in his community or in any community to the location of defense activities in the community?

**MR. WHITE.** That is certainly a problem. I may say to the gentleman further that it is a well-recognized prin-

ciple in connection with reclamation projects owned by the Government, transmission lines, and other such projects owned by the Government, that some provision in lieu of taxes is made available to these communities where they are losing taxes on such Government-owned facilities.

Mr. STEAGALL. Insofar as this bill deals with the matter of defense housing constructed from funds allocated by the President, the tax provision does not apply. Otherwise, every activity and agency of the corporation is taxable.

Mr. WHITE. Coming down a little further, to rubber, it is conceivable that this Government-financed rubber corporation can bring in great stocks of rubber for the supply of these industries, receive title to it until it is actually delivered, immediately manufactured, and turned back to the Government, and escape taxation altogether under the provisions of this bill. Is that right?

Mr. STEAGALL. I do not know the practical situation with reference to rubber well enough to say that the conclusion of the gentleman about that is justified, but I can say that the law does not contemplate the taxation of personal property. The personal property of these subsidiary corporations is exempt.

Mr. WHITE. In connection with Boulder Dam, Grand Coulee, and other such facilities, we have established the principle of paying something in lieu of taxes to support the local governments. Why not include such a provision in this legislation, if you are going to exempt so much income-bearing property from taxation?

Mr. STEAGALL. You permit the taxation of incomes in this bill rather than exempt them.

Mr. WHITE. Would the gentleman favor some plan of that kind?

Mr. STEAGALL. I cannot tell about that in advance.

Let me call attention to what is contemplated by this bill. Section 1 provides for extension of authority of the Disaster Loan Corporation to make loans.

This Corporation was created by an act of Congress approved February 11, 1937. It was set up with an authorized capitalization of \$40,000,000 to be provided by the R. F. C. It is managed by the staff of the R. F. C. We provided that the succession of the Disaster Loan Corporation should continue until the Corporation is dissolved by act of Congress. However, the present law authorizes the making of loans in conjunction with catastrophes occurring only during the years 1936, 1937, 1938, 1939, and 1940. Section 1 of this bill brings this provision up to date by authorizing disaster loans in conjunction with catastrophes occurring through January 22, 1947. This date was selected because the powers of the Reconstruction Finance Corporation expire at that time. This section does not extend the life of the Disaster Loan Corporation, but simply permits it to operate effectively until 1947 unless the Congress repeals the act creating it.

The Disaster Loan Corporation has authorized loans aggregating in excess of \$31,000,000, including loans in excess of

\$14,000,000 to the Federal Surplus Commodities Corporation, but not including timber loans in an amount dependent upon the value of the collateral and the costs in connection therewith. The Corporation has disbursed in excess of \$27,000,000, repayments exceed \$8,000,000, and approximately \$19,000,000 is now outstanding. This Corporation has rendered yeoman service in the provision of relief in connection with floods, hurricanes, and other disasters. It has provided prompt relief to disaster victims in a businesslike way.

Section 2 would extend the life of the Electric Farm and Home Authority, which would expire at the end of the present fiscal year.

Section 2 extends the life of Electric Home and Farm Authority from June 30, 1941, to January 22, 1947, also coextensive with the succession of the Reconstruction Finance Corporation. The Authority was set up as a District of Columbia corporation pursuant to Executive order and was continued as an agency of the United States by an act of Congress approved March 31, 1936.

Electric Home and Farm Authority operates with the R. E. A., T. V. A., private power and gas companies, and small appliance dealers in financing installment purchases of gas and electrical equipment—stoves, refrigerators, washing machines, and the like. It operates in 37 States, mostly in smaller communities where installment financing is not available except at exorbitant rates.

The Authority is self-supporting. It borrows its funds from private banks at standard commercial rates. It has purchased installment obligations totaling approximately \$40,000,000, has sustained actual losses of only \$40,000, has an earned surplus in excess of \$300,000, and a reserve for possible losses totaling approximately \$330,000. This Corporation is also managed by the staff of the R. F. C.

I think the debate on the rule has made clear to the House what is desired and what will be accomplished by this provision of the bill.

The provisions of section 3 will serve to dispel various uncertainties which have arisen in some States as respects the tax liability of the R. F. C. and the various corporations created by or associated with it.

Under existing law the Reconstruction Finance Corporation, including its franchises, capital, reserves, surplus, and income is exempt from all taxation. Federal, State, and local, except as to its real property which is made subject to non-discriminatory State and local taxes. This section of the bill reaffirms congressional policy with respect to such exemption to the effect that the exemption includes (1) sales, use, and all other taxes except nondiscriminatory real-estate taxes, and (2) the loans and personal property of the Corporation.

This section also removes any doubt as to the position of various corporations of a public nature affiliated with the Reconstruction Finance Corporation by providing that the tax exemptions applicable to the R. F. C. shall be construed as applicable (1) to public corporations organized or created by or at the instance

of the R. F. C., including the Defense Plant Corporation, the Defense Supplies Corporation, the Rubber Reserve Company, the Metals Reserve Company, the RFC Mortgage Company, and the Federal National Mortgage Association, and (2) to public corporations which are wholly financed and managed by the R. F. C., specifically the Disaster Loan Corporation.

The exemption is extended to include the Defense Homes Corporation. This Corporation was incorporated at the instance of the Federal Loan Administrator by members of the R. F. C. staff. It is financed through an allocation from the emergency funds of the President and operated by the Reconstruction Finance Corporation.

Under the provisions of the Reconstruction Finance Corporation Act the obligations of the Corporation, including both principal and interest, are also exempt from all taxation except inheritance, estate, gift, and surtaxes. This exemption was modified by Public Law No. 7, Seventy-seventh Congress, subjecting the interest upon, and the gains from the sale of, obligations of the United States and its agencies to Federal taxes. This exemption as so modified is not affected by the provisions of this bill.

This section does no more, except as to Defense Homes Corporation, than reaffirm the original intention of the Congress, which is necessary to avoid the delay and expense of litigation. This provision is exceedingly urgent to avoid tax questions, particularly as respects the great stocks of strategic and critical materials—rubber, wool, tin, antimony, tungsten, and the like—now being accumulated by the R. F. C.'s defense corporations.

Section 4 of the bill provides for loans to foreign governments or their agencies, but only upon securities held in the United States. The purpose of this provision is to permit the Reconstruction Finance Corporation to make loans upon securities and assets of foreign governments in order to conserve their value and prevent their sacrifice at forced sale. It would permit governments desiring such loans to obtain them upon liberal terms and valuations such as the Reconstruction Finance Corporation could safely make, rather than leaving governments desiring such loans in the hands of private-lending institutions that would require collateral of three or four to one, and charge fees for services, and finally resulting in the sacrifice of assets that might be conserved.

In the case of one foreign government in particular, instances will arise whereby making common-sense, practical, business-like loans on the assets of that nation, loans made not upon a mere promise to pay, but loans secured by assets held in this country, we will enable that nation to conserve its holdings and realize their full value, which in the end will mean substantial saving to the people of the United States because of operations that will be had under the commitments of the lend-lease bill. It will enable that government to pay cash for articles that are to be supplied rather

than lending such articles or selling them at nominal cost.

Existing law authorizes Reconstruction Finance Corporation to create defense corporations to procure strategic and critical materials, to expand, equip, and lease plants for the manufacture of arms, ammunition, and implements of war, and, upon finding of necessity by the President, to engage in the manufacture of armaments. Subsection (c) of this section provides that such corporations may be given additional powers necessary to expedite the defense program.

The defense activities of the Reconstruction Finance Corporation and the defense corporations created by it are undertaken only upon the request or approval of the President, the War Department, the Navy Department, or the Office of Production Management. The requests received from these various persons and agencies are of great variety, both as respects domestic needs and projects, essential to our defense, to be carried out in various parts of the Western Hemisphere. These requests are made whenever it appears that the facilities of the Reconstruction Finance Corporation are best adapted to the execution of a particular project or whenever the project contemplates the extension of financial assistance to an existing agency.

Because it is impossible under present circumstances to anticipate the exact nature of the many undertakings which will be required of the Reconstruction Finance Corporation, an amendment in the nature of that included in the bill seems best adapted to assure the flexibility of operation which has enabled the Corporation effectively and without delay to meet unusual requirements arising from the present emergency. The provision seems necessary to avoid the legal trammels incident to narrower language as new and now unforeseeable requirements develop in the defense program.

The activities of the Reconstruction Finance Corporation in serving to expedite the defense program by providing without delay vitally needed strategic and critical materials and production facilities have been reported in detail in a recent letter from the Federal Loan Administrator, Mr. Jesse Jones, addressed to the President and the Congress.

Under existing law no limitation is imposed upon the period within which such corporations may be created by the Reconstruction Finance Corporation, other than the limitation upon the succession of the Reconstruction Finance Corporation itself, that is, January 22, 1947. This section provides that this power shall expire on June 30, 1943.

The authority of the Reconstruction Finance Corporation to set up these corporations is limited in several respects. First, the authority extends only to corporations established in order to aid the Government in its defense program; second, the authority may be exercised only upon the request of the Federal Loan Administrator and the approval of the President; third, the authority may not be exercised after June 30, 1943; fourth, the activities of these corporations are limited by the restriction upon the general note-issue power of the Reconstruc-

tion Finance Corporation, and fifth, the authority is, of course, limited by the power of Congress to curtail or stop the defense activities of the R. F. C. whenever that seems advisable.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman from Michigan.

Mr. DONDERO. Early in the day I made the statement on the floor that we have adopted the policy in this country of taxing the income on all obligations of the Federal Government to be issued in the future, but if this bill passes with section 3, which includes the amendment to section 10 of the Reconstruction Finance Corporation Act, we proceed to exempt from taxation the notes, bonds, mortgages, and other obligations of an agency of the Government. Does not the gentleman believe we are adopting an inconsistent policy when we do that?

Mr. STEAGALL. We put them in the same category as originally, but we do permit them to be taxed under the provisions of the Public Debt Act as I have indicated. All these matters will arise when we consider the committee amendments.

I wanted to discuss another provision of this bill. The Corporation had its lending powers increased \$1,500,000,000 under the act we passed in contemplation of the establishment of subsidiary corporations to purchase materials and supplies and to manufacture equipment necessary in carrying out the defense program.

It so happens that since that time the Corporation has made loans and commitments of \$1,600,000,000. For that reason and in order that the Corporation may keep its lending power up to something like \$1,000,000,000, which has always been regarded as desirable by the officials of the Corporation, this bill provides for increasing the lending power \$1,500,000,000. It seems to me very desirable.

In this connection I wish to thank the gentleman from New York [Mr. FISH] for his commendation of the officials of the Reconstruction Finance Corporation. It is certainly one agency of the Government, the management of which has met with universal approval by the people of the United States. I do not think the Government has any man superior to our Federal Loan Administrator, Jesse Jones, in dealing with the matter of loans, investments, and all those things that require rugged common sense, courage, and frankness. I am the more willing to extend these powers in view of the admirable administration we have known in the past and that we have every right to expect to continue under the present management that will be responsible for the conduct of this Corporation.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman from New York.

Mr. TABER. I am very much disturbed about section 3 of the proposed amendment submitted by the House committee, exempting from taxation—

Mr. STEAGALL. Let me suggest to the gentleman that he defer further discussion of that until we reach the amendments that will be offered by that committee. He will have ample opportunity to have the House consider his views. I suggest this because I want to save some time for other members of the committee.

Mr. Chairman, I reserve the balance of my time.

Mr. TABER. Mr. Chairman, I make the point of order there is not a quorum present.

The CHAIRMAN (Mr. COLE of Maryland). The gentleman from New York makes the point of order there is not a quorum present. The Chair will count. [After counting.] Eighty Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, when the following Members failed to answer to their names:

[Roll No. 59]		
Andresen, August H.	Edmiston, Gavagan	Mitchell, Mundt
Andrews	Geyer, Calif.	Nichols
Arnold	Grant, Ind.	O'Day
Baldwin	Harness	O'Hara
Bates, Ky.	Harter	Osmer
Bell	Hartley	O'Toole
Boehne	Heidinger	Pearson
Boland	Hendricks	Pfeifer,
Bolles	Hess	Joseph L.
Boren	Hinshaw	Pierce
Boykin	Hoffman	Rizley
Bradley, Mich.	Holbrook	Roujue
Buck	Holmes	Sasscer
Buckley, N. Y.	Izac	Schulte
Byrne	Jacobsen	Scott
Camp	Jarman	Secrest
Cannon, Fla.	Jarrett	Shanley
Cannon, Mo.	Jenkins, Ohio	Short
Carter	Jenks, N. H.	Smith, Pa.
Cartwright	Johnson, Calif.	Smith, W. Va.
Celler	Johnson,	Somers, N. Y.
Clark	Lyndon B.	Starnes, A'a.
Claypool	Johnson, W. Va.	Stearns, N. H.
Colmer	Kee	Sullivan
Connery	Kelley, Pa.	Sweeney
Copeland	Kirwan	Taylor
Crawford	Landis	Thill
Creal	Larrabee	To'an
Crosser	Ludlow	Traynor
Culklin	McGranery	Treadway
Cullen	McGregor	Vinson, Ga.
Curtis	McLean	Wadsworth
Dies	Maciejewski	Wasielewski
Dirksen	Magnuson	Wickersham
Domenechaux	Marcantonio	Winter
Douglas	Mason	Wolfenden, Pa.
Duncan	May	Wright

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. COLE of Maryland, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (S 1438) and finding itself without a quorum, he had directed the roll to be called, when 320 Members answered to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The SPEAKER. The Committee will resume its session.

The Committee resumed its session.

The CHAIRMAN. The gentleman from Alabama [Mr. STEAGALL] has consumed 21 minutes. The gentleman from Michigan [Mr. WOLCOTT] is recognized for 1 hour and 30 minutes.

Mr. WOLCOTT. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, since I have been in the Congress I do not believe there has ever been presented to the House a bill

of greater importance than this measure. This bill, if enacted as the House Committee on Banking and Currency has recommended, would grant such broad powers to the executive branch of the Government as to make it possible to establish a Fascist state in the United States. It would give the President and the Federal Loan Administrator the power to do anything they saw fit to do so long as it was incidental to the defense program.

I have given a great deal of thought during the last few days to what could not be done under this act, and I do not believe there is anything that could not be done under this act by the creation of a corporation. I say this without fear of successful contradiction. I do not know what others may do in respect of this bill, but if in defending the democracies of Europe I am convinced, as I am, that we are going to destroy democracy in America, then I think it is my duty under my oath of office to the Constitution of the United States, to my people, and to myself to do everything I can to preserve the American form of government, and by no act of mine will I ever vote to give any individual or group of individuals the power to destroy the American form of government, whether they intend ever to use it or not, because if the Congress of the United States so forgets itself and its oath under the Constitution to the people whom it represents that it delegates to any individual the power to destroy the American form of government, by so doing it is doing just as vicious and pernicious a thing and as destructive a thing as if it had created the corporation itself to take over these powers to destroy democracy. [Applause.]

I don't want to criticize anybody for the attitude which he may take, that inasmuch as this bill has the word defense in it, we must delegate all legislative power to the Executive. For a good many years we have fought successfully the attempts of the administration to obtain from Congress certain legislative powers which I say are under the Constitution vested in the Congress—fought successfully, I say, on several occasions, the granting of much less power than is contained in this bill.

Let me get a little confidential with the Committee this afternoon, and tell something of the history of this bill. I might say parenthetically that no action by the House Banking and Currency Committee in respect to any proposed amendment removes the obnoxious feature of the bill to which I referred, and I might also say parenthetically that those of you who think you know what this bill will look like when we get through with it, by reading it now, have another guess coming, because the Committee are proposing 15 amendments, and there are a few of us, a chosen few, who have copies of those amendments. I might say that the information which we had in committee was just as limited as the information which you have before you today with respect to this bill. They were going to pass over this particular item in respect to this power, until matters which transpired last year

were called to their attention, and then we immediately went into executive session, it was so important, and nothing was said about it until questions were asked in respect to the bill, and although in the general statement of the Federal Loan Administrator nothing had been said whatsoever in respect to the bill until the amendment was called to his attention, he then asked that we go into executive session. Many of the things which he said he wanted to do under this power have become public information since that time? I might say that one of them was to set up a corporation to constitute a small-loan agency to loan money to aid flying cadets to help finance the purchase of their uniforms. It did not seem to me that we would have to go into executive session to be told that. And the others they already had the power under existing law to do. They want this power for some reason or other, and I think the Congress of the United States should know what they want the power for before we give it to them.

Mr. THOMAS F. FORD. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. Yes.

Mr. THOMAS F. FORD. Is it not true that 14 of those amendments are clarifying amendments, just checked off, as they were read off?

Mr. WOLCOTT. Yes.

Mr. RICH. Was this bill passed out of the Banking and Currency Committee by the full committee?

Mr. WOLCOTT. No. There was no record vote taken, but there was opposition to it.

Mr. RICH. And these 15 amendments they are going to vote for—was the committee in accord with those amendments?

Mr. WOLCOTT. I was not there. We went before the Rules Committee last Wednesday and I expressed my opposition to the bill. I do not claim that because of any opposition that I voiced to the bill that the Rules Committee did so, but the committee indicated strongly that they were not going to grant a rule. While I was in Michigan over the week end the committee was called together on Friday and these 15 amendments were agreed to.

Mr. RICH. Were these 15 amendments offered to clarify the bill after the bill was reported out?

Mr. WOLCOTT. The important amendment is No. 15, which is supposed to be a sop to those of us who oppose the bill, but which I shall point out later on does not restrict the powers any more than the original bill. If gentlemen will recall, last session we had a bill before us to increase the capital of the Export-Import Bank by \$500,000,000. While we had that bill under consideration the Federal Loan Administrator, Mr. Jones, asked me if I would stay after school one day, meaning, would I stay after the committee adjourned and talk with him. Of course, I gladly consented to do so. He told me that they wanted to acquire some excess stocks of strategic and critical materials, and wanted to know if I knew what the attitude of the minority would be in that respect. I thought that was

a very desirable defense activity. I thought that we should acquire excess stocks of critical materials such as rubber, tin, nickel, manganese, and all of the other things which we do not produce, against that day when perhaps because of blockade or because of disruption in the usual transportation facilities, we would not be able to get them.

Then we discussed the methods by which we might acquire them. We decided that if the steel industry, for example, pooled its capital and organized a subsidiary corporation for the purpose it would be in violation of the terms of the antitrust laws of the United States. If each individual corporation took some of its capital and invested it in strategic and critical materials, we would create a situation whereby at the end of the emergency they might demoralize the market with those materials by dumping them on the market in order to liquidate their capital for expansion in peacetime. So I suggested—and I take full responsibility for it—I suggested that a corporation be organized, a subsidiary of the Reconstruction Finance Corporation, financed by the Reconstruction Finance Corporation, to acquire and market excess stocks of strategic and critical materials. One or two days later the President sent down his message or letter asking the Congress to create a corporation for that purpose. Mr. Jones came back to the Committee on Banking and Currency with a proposed amendment and much to my surprise and much to my horror, and much to my humiliation, this amendment provided not for a corporation to acquire and market strategic and critical materials, but provided for the creation of corporations to do anything under God's heaven as long as it was incidental to the defense program. Mr. Jones was very apologetic about it before the Committee on Banking and Currency at that time. He made the statement that he did not want that power; that he did not need that power. But the old steamroller was put to work and it was reported out of the committee in defiance of the agreement, in defiance of the recommendation by Jesse Jones, and came out here on the floor, and you gentlemen had a pass at it. You restricted the operation of these corporations in June of last year, so that they could not create any corporation under that power to manufacture any article excepting arms, munitions, and implements of war, as proclaimed by the President. You put that limitation on yourselves on the floor of this House, along about the 14th of last June.

Mr. CASE of South Dakota. Will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. CASE of South Dakota. Do these amendments that are supposed to be presented cure the bill from removing this limitation?

Mr. WOLCOTT. Not a bit. I will discuss that later on.

Now, they have come in with this bill. As originally read and as it originally came from the House Committee on Banking and Currency, it says that these corporations may be created and organized when requested by the Federal Loan

Administrator with the approval of the President and that all the powers which they have always had since the bill was enacted last year—

The CHAIRMAN. The time of the gentleman has expired.

Mr. WOLCOTT. Mr. Chairman, I yield myself 10 additional minutes. With such powers as they already have under the act and with such powers as they may deem necessary in order to expedite the defense program, including but not limited to the powers already in existing law; which makes the sky the limit. There is no ceiling now. There is no restriction whatsoever upon the President and the Federal Loan Administrator to organize a corporation to do anything so long as the President finds it to be within the realm of national defense. I have just said I have been giving a great deal of thought to this question during the past few days, and I cannot think of any activity, even to the making of china dolls, that might not be interpreted as coming within the defense program. Even recreational facilities are included in the defense program.

Mr. THOMAS F. FORD. Will the gentleman yield?

Mr. WOLCOTT. I would like to proceed a little further, please.

Mr. THOMAS F. FORD. But you are talking about something that is not in the bill.

Mr. WOLCOTT. I will get to that. I promise you I will. I made it clear that that was the amendment which was reported out. The sky is the limit; no restriction whatsoever. Now, is there anybody who will contradict that?

Mr. THOMAS F. FORD. Yes, I will. If you read that in connection with another section, the sky is not the limit. It was limited to that particular section.

Mr. WOLCOTT. We will read it in connection with the other section. What the gentleman has reference to is that the organization must be in respect to the defense program. Of course, the President has got to find that this corporation is a part of the defense program. If the President finds that the making of doll babies is a part of the defense program, as recreation for soldiers' children, it comes within the purview of the act.

Now, let me go to the proposed committee amendment. The Rules Committee, I think—I cannot speak for them—but they indicated that because of the very broad powers contained in this act, which I say gives the President the power to set up a Fascist state in America, sent it back to the Banking and Currency Committee, or rather the Banking and Currency Committee had a meeting and they reported out this as a substitute. This is supposed to be a liberalizing amendment to the original bill. This is supposed to be a restriction upon the powers of these corporations. So we go ahead and set up these corporations and we provide as in existing law that they may purchase, acquire, and carry strategic and critical materials, and that they may purchase land to expand plants and produce equipment and manufacture anything they want to so long as it is classified as arms, muni-

tions, implements of war, and other articles, equipment, facilities, and supplies necessary to the national defense.

In this connection let me call your attention to the fact that now if this amendment which the Banking and Currency Committee will introduce here is agreed to we no longer restrict the power of these corporations to the manufacture of arms, munitions, and implements of war, but we extend it to the manufacture of all other articles, equipment, facilities, and supplies necessary to the national defense.

Then the amendment goes on to provide:

when requested by the Federal Loan Administrator, with the approval of the President, shall have power to create or organize, at any time prior to July 1, 1943, a corporation to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program.

My heavens, Mr. Chairman, what are we doing here in the name of national defense if we are not delegating the constitutional authority which is invested in this body to set up a Fascist state? Yes; a dictator here that will make Stalin, Hitler, and Mussolini look like pinheads?

Mr. CHIPERFIELD. Mr. Chairman, will the gentleman yield

Mr. WOLCOTT. I yield.

Mr. CHIPERFIELD. Would not that language be broad enough to permit completion of the Florida ship canal or anything else of the same nature?

Mr. WOLCOTT. Mr. Chairman, there is no restriction in the House amendment against the construction of the Florida ship canal, against the construction of the Great Lakes-St. Lawrence waterway, against the construction of the Passamaquoddy project, or the Nicaraguan canal. I do not pass upon the merits of any of these projects except I want to be sure that when these projects are constructed it be the result of express authority by this Congress to do it. In the Senate bill there was a restriction against the construction of all these projects which I have mentioned except the Nicaraguan canal.

We should not sit complacently back here and grant this authority, although we shall have our attention called to the fact that they cannot create a corporation capitalized in excess of \$100,000,000 to construct any one of these projects; but you know what is going to happen. If you give them this authority they will come back as they have so often in the past and say, "We have got to have some more money now because we have started this project" and by a simple little joint resolution that would go through this House by unanimous consent 6 months from now you would be asked to extend this amount to \$300,000,000, or probably another \$1,500,000,000. The President, without any express authority from Congress, started the Florida ship canal and we stopped it, but he had already spent several millions of dollars on it. Then he came back and said, "You have already invested in the Florida ship canal several millions of dollars. You must continue the project in order to protect

the Government's investment." And in the matter of these connecting parkways between the Great Smokies and the Shenandoah, and the Natchez Trace. They were started under general authority contained in the old N. R. A.-Public Works Act and were never passed upon directly by Congress. They had already spent two or three million dollars on the projects and the justification for further expenditures since then has been to protect the Government's investment.

So this is just a start, Mr. Chairman. This \$100,000,000 is practically no limitation whatsoever because you know as well as I that if he is given \$100,000,000 to do anything with—that constitutes just the capital of the corporation—and it is doubtful whether there is any limitation on the amount which can be committed.

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. VORYS of Ohio. Would the gentleman explain to some of us who do not understand it, why it is necessary to use this private-corporation method of conducting the Government's business under any circumstance?

Mr. WOLCOTT. There is not any justification for it whatsoever unless the power of the corporation is limited to the power of the creating body. If the R. F. C. under its organic act found itself embarrassed to do something it wanted to do, all they would have to do under this bill would be to set up a corporation, and any limitation in the R. F. C. Act would not pass on to the Corporation. They can do anything so long as the President finds that it is incident to the national defense.

Here is the point I want to make and stress: They can go to industry and bludgeon them into line on any project or in any particular under the threat that the Federal Government will set up a competing enterprise.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. RICH. In this bill, on page 9, subsection 4, occurs the language, "such powers as they may deem necessary in order to expedite the defense program, including but not limited to." There is where they get their power.

Mr. WOLCOTT. I just discussed that. But they have a committee amendment which is thrown in here apparently as a sop to those of us who do not like that language, but the language of the amendment I believe is equally as broad as that referred to by the gentleman.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield myself 5 additional minutes.

Mr. MONRONEY. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. MONRONEY. The gentleman has criticized this \$100,000,000 fund that has been granted to Jesse Jones in this bill. Does he not know that on almost every defense bill that has gone through this Congress in the last year discretionary funds for national defense have been granted the President alone to carry out the projects that he deems necessary for

national defense, and is not your general opposition to this bill to the \$100,000,000 discretionary fund granted to Jesse Jones, who, in 8 years has spent these funds with wisdom and credit to our Government?

Mr. WOLCOTT. I am not objecting to the \$100,000,000 at all. You gentlemen of the committee reduced the \$300,000,000, which the Senate provided, to \$100,000,000 in the hope you would break down the opposition to the delegation of powers contained in the original draft.

Mr. PLUMLEY. Will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Vermont.

Mr. PLUMLEY. Will the gentleman explain the necessity and the occasion for the creation of a private corporation to undertake to purchase minerals of a strategic nature, inasmuch as the general appropriation act for both the Army and Navy carries a very considerable sum and has repeatedly carried a very considerable sum to be devoted to those explicit purposes?

Mr. WOLCOTT. There is some question as to the advisability of it, but I do not contest the feasibility of creating a corporation for that purpose.

Mr. Chairman, I want to cover another part of this bill which to me is very interesting. This bill repeals certain provisions of the Neutrality Act in respect to the making of loans to belligerent countries.

On page 8 of the bill, subsection 2, section 4, provides that the Federal Loan Administrator can make loans to foreign governments through their central banks, and here is the very interesting part of this thing. Frankly, I do not understand it. They go on under (a) to say that these loans shall be secured by the bonds, debentures, stocks, or other obligations of the Government of the United States or any State, municipality, or political subdivision of any State. That looks pretty good. In other words, according to that, we cannot lend to the British Government or to any other belligerent unless they put up United States bonds, State bonds, or municipal bonds. That is not bad, but what is (b) doing in there? Oh, they may lend on the security of any bonds, debentures, stocks, or other obligations of any private corporation.

Now, think that over a minute. They can create a corporation, if they want to, with a million dollars of capital, subscribed by the Bank of England or by the Reconstruction Finance Corporation, and authorize that corporation to expand that capital ten times by the issuance of stock, and the Reconstruction Finance Corporation can lend with that stock as security. We used to call that watered stock in the old days.

We are creating under this bill the possibility of the issuance of millions of dollars of watered stock, which is not fully guaranteed by the Federal Government as to principal and interest, as are some of the bonds referred to in (a). I have an amendment to that.

Mr. Chairman, the other provision of this bill which I wish you would give some consideration to is whether you

want to deny the States the income by way of taxes or otherwise from the property of these corporations set up as competing enterprises. Let us take a concrete case for example.

If the Government decides it cannot buy furniture in the open market for the offices in the Government incident to national defense, it can go into the city of Grand Rapids or anywhere else where furniture is made and say to the furniture industry, "We will pay you so much. If you do not sell it to us for that much, then we will set up a competing enterprise." That may be done in respect to any other question incident to the manufacture of furniture or any other article. They hold this as a bludgeon over the head of industry to tell industry to do their bidding. If they do set up a competing industry, under the terms of section 3 of this act, that competing industry is exempt from all local taxation.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield myself 4 additional minutes.

Mr. Chairman, even the States have taken this up, and, although they want the defense industries, they do not want competing private industries set up that they cannot tax.

Mr. Chairman, I hope that I have sowed the seed for a great deal of sober consideration in respect to this bill. Personally, I think this bill has potentialities so far reaching that any Member of Congress who has taken the oath to support the American form of government cannot conscientiously vote for this bill which delegates the lawmaking powers of this Congress to the Executive, whether it be in the form of a corporation or otherwise. They want this power for something or they would not ask for it. Now, let the proponents of this bill tell us why they want this power and what they are going to do with it. They have not told us yet.

Mr. SMITH of Ohio. Will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Ohio.

Mr. SMITH of Ohio. Will the gentleman take a little more time and discuss further section (b)? I think that is extraordinarily important. The gentleman has touched on it. It covers the bonds of any private corporation secured by any corporation organized under the laws of the United States or any State.

Mr. WOLCOTT. Of course, every private corporation must be organized under the laws of some State or the United States. It would not be a corporation unless it were.

Mr. SMITH of Ohio. I would like to have the gentleman discuss that. I think it is very important.

Mr. WOLCOTT. I think there is an ambiguity between (a) and (b). Under (a) they have secured their loans by reasonably good security, Government, State, municipal bonds, or obligations. Under (b) any corporation could be set up and chartered, as many of them are, under the laws of Delaware or Michigan, the District of Columbia, or any other State, with subscribed capital, with authority to expand that capital and the Reconstruction Finance Corporation

might find itself in position where it could lend to the full extent of the capital.

The point I want to make in respect to the whole bill is that the only restriction on what the President and the Federal Loan Administrator can do under this bill is found in the Constitution itself. If they are denied by the Constitution the right to do something, then they cannot use this power, but they can use any power which the Congress has in the exercise of powers incident to these corporations and there is some question that they cannot use some of the judicial powers of the United States.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield myself 1 additional minute.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Pennsylvania.

Mr. RICH. Under the power conferred in the bill, if they grant \$100,000,000 for setting up these corporations there is no limit on the size of the corporations, is there?

Mr. WOLCOTT. No.

Mr. RICH. They could establish 10,000 corporations if they wanted to under the \$100,000,000 grant, and then they could sell bonds to the value of \$1,500,000,000; and they could go into any field at all, which, as the gentleman said in the first part of his remarks, would certainly make this Government communistic.

Mr. WOLCOTT. They can set up a corporation to construct the Florida ship canal with a capitalization of \$5,000,000. They can issue bonds—call them revenue bonds—to the amount it is going to take to construct that project, on a \$5,000,000 capitalization.

Mr. BEITER. The same thing would apply to the St. Lawrence seaway?

Mr. WOLCOTT. The same would apply to the St. Lawrence seaway and every other such project.

Mr. RICH. They could establish a thousand corporations if they wanted to.

Mr. WOLCOTT. Ten thousand.

[Here the gavel fell.]

Mr. WILLIAMS. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. THOMAS F. FORD].

Mr. THOMAS F. FORD. Mr. Chairman, may I first make this observation. In the 8 years I have been in this body and in the 6 years I have been on the committee, I have noticed that almost every time a major bill comes from this committee certain members of the committee take it upon themselves to present to the House a picture of a bill that has some sinister, undisclosed purpose. The Member who has engaged in that activity all this time reminds me a good deal of the fable of the sheep and the wolf. You recall that the boy always cried, "Wolf, wolf, wolf." Finally one day the wolf did appear and he cried "Wolf," but nobody paid any attention to him. I believe we have a parallel situation in the attack on this measure.

This bill, S 1438, is a simple measure designed to achieve very important, aye, exceedingly vital objectives. These

objectives are vital to hemispheric defense. If such a measure were being proposed in any other parliamentary body in the world, the objectives would not be openly discussed.

What this bill seeks to do is to authorize the Reconstruction Finance Corporation to engage in activities that have for their purpose the strengthening of our hemispheric defense, to be carried on beyond the borders of continental United States.

The extent to which the Reconstruction Finance Corporation uses the authority granted will depend entirely on circumstances over which we have no control, but which our national safety and welfare demand that we do control and prepare ourselves to successfully and vigorously combat or checkmate, activities that may be carried on that endanger and menace our own national safety and welfare.

Because of the extremely important, critical, and dangerous nature of the situation, I urge every Member of the House to support this bill. What you are doing is granting to the Reconstruction Finance Corporation the means by which, if circumstances over which we have no control arise, it can go into other parts of the world and do things that will be vital to the defense of the United States of America.

Mr. SACKS. Mr. Chairman, will the gentleman yield?

Mr. THOMAS F. FORD. I yield to the gentleman from Pennsylvania.

Mr. SACKS. May I observe that the gentleman from Michigan said that the powers in this bill might be used to create the Florida Canal and other such projects. Is it not true that Mr. Jones and Mr. Hamilton said before the committee that that was furthermore from their minds and that such projects absolutely would not be considered under this bill?

Mr. THOMAS F. FORD. That is exactly true.

Mr. SACKS. I will take Jesse Jones' word any time.

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

Mr. THOMAS F. FORD. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. In view of what my colleague from Pennsylvania has said, that Jesse Jones has given the committee his word that such a corporation will not be organized to finance, we will say, the Florida ship canal or the St. Lawrence seaway, will the gentleman deny that it is possible under the language of this bill to form such a corporation for the purpose of constructing the St. Lawrence seaway?

Mr. THOMAS F. FORD. There are clauses in the Reconstruction Finance Corporation law that make it possible to organize almost any kind of a corporation.

Mr. VAN ZANDT. That is right.

Mr. THOMAS F. FORD. The Reconstruction Finance Corporation law was originally passed by the majority on that side.

Mr. VAN ZANDT. Then the gentleman will confess the fact that it is possible to do that?

Mr. THOMAS F. FORD. No. I am telling the gentleman that under the Re-

construction Finance Corporation law as it now stands there is authority to create almost any type of corporation. [Applause.]

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Chairman, I should like to ask the gentleman from California [Mr. THOMAS F. FORD] this question. The gentleman says that as long as Jesse Jones is in his present position he will not grant permission to have the Florida ship canal constructed. How do we know that Jesse Jones may not resign from the Reconstruction Finance Corporation or the Department of Commerce to go into some other business, and then the President may appoint Harry Hopkins? In that event the President can do just as he wants, because Harry Hopkins has proven that he will do anything the President wants. Then you can set up and finish the Florida ship canal and you can finish the St. Lawrence seaway, or you can establish a thousand different corporations. If you want to continue what you have been doing, making this a communistic nation, you are certainly on the right road now. Does not the gentleman think you are?

Mr. THOMAS F. FORD. In answer to the gentleman's question, may I say that in the first place the gentleman puts words in my mouth that I did not use. I was asked that question, and said that Mr. Jones had said such a thing.

Mr. RICH. The gentleman from Pennsylvania said that.

Mr. THOMAS F. FORD. The gentleman put that in my mouth. The gentleman did not say it. As far as the Florida ship canal or the St. Lawrence seaway is concerned, what is wrong with them? The gentleman just does not agree with them because they are not Republican measures.

Mr. RICH. No; I do not agree with them because I believe they represent American taxpayers' money wasted in useless projects at this time. I believe this administration has been wasting money for the last 8 years, and we are in the worst hole this Nation has ever been in. You are going from bad to worse every minute. Last night you had the President of the United States all but declare war, and when you get into that state of affairs you are going against the will of 80 percent of the people of this Nation. You, on that side, are responsible because you have given the President all of that power. I am glad I did not give it to him. I voted against such power that has been given to the President. I believe we should assume our responsibility, and my people want me to do so. I did not give Mr. Roosevelt the power he assumes.

Mr. THOMAS F. FORD. You have.

Mr. RICH. I did not; I did not vote for any of it. [Applause.]

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, of what use is it to argue with the majority about these bills? I have read the de-

bate in another body and I presume it may be proper if I refer to remarks already in the CONGRESSIONAL RECORD. There are able men in the other body who are not Republicans, and one of them in particular said, to my great surprise, "I doubt whether Members of the Congress or the public at large are aware of what is going on. We are absolutely destroying the system of free private enterprise. Such destruction does not come primarily from what is proposed here." But he goes on to complain of these corporations portrayed here claiming that they are not now competing with private business, but which really are, and will continue to compete. There is a limitation of their activities, set for 1947, but while they supposedly would not be given any more nutrition after that date they can remain active to wind up the corporations' affairs.

You saw yesterday a remarkable vote. Anyone would think that this was Parliament and that if the party in power should be defeated or if a vote of confidence were lacking, we would have to go to the people and therefore must be loyal to the leader without respect to the actual merits of the legislation. There was a real exhibition yesterday of this procedure. The minority could, and did, vote its convictions. Some may assert that it was politics on the minority side, but the real politics is displayed in following a leader lest otherwise it be interpreted as a vote of lack of confidence.

All the House is now asked to do, lest you be confused, is to accept amendments to be offered by this committee which will make the bill conform to the bill as reported in the other body, except for the limitation of \$300,000,000. This committee has now placed a limitation of \$100,000,000. Look at the letter (g) in section 3, saying that they can form numerous corporations to do almost anything, so long as they can be colored by national defense. Of course the smell of gunpowder is in about every act we pass these days. Under this bill the sky is the limit, except that they must stop operations in 1947. We have said year after year that we will end such operations, but under the lash of the administration we grant renewals with little regard for the real necessity for any continuance of such activities. Powers once delegated seemingly cannot be recovered.

Now, why this particular bill? The R. F. C. has great authority already. What really is the one thing in this bill that is highly important? That is what we should seek to discover. There is something back of this besides extensions of power. This is tacked on, as this is an opportune time to get such extensions. Already power is given to form corporations for all sorts of purposes, such as purchases of strategic materials and even the manufacture, if you please, of many articles, if labeled "for defense." That is already the law, but there is something in this measure new and highly important. What is it? I am not suggesting that there is something in a woodpile. It is all aboveboard, but it is rather confusing. They want the R. F. C., because of the Johnson Act, in order to lend to, and on the securities or, other

governments. The R. F. C. can do this if we pass this bill and grant further borrowing power. We are trying to help the British Government cash in on its securities without having to go to Wall Street. Wall Street is a very unhappy word, but it is one many love to use, even though it is made to apply to all decent citizens who are in the banking business.

They say that Wall Street is squeezing them for premiums; that it is costing too much money to have private bankers liquidate securities for them. The R. F. C. will do it for the British Government under this act and will do it cheaply. Shortly afterward they will sell those securities right back to Wall Street at presumably even a fair profit. Great is the R. F. C. They will not hold the securities. They seldom do. But under this bill we have \$1,500,000,000 more added to the amount they can borrow. I much doubt if they need it even for this ambitious program. We recall the early case of the Chicago securities. I remember that in the first instance the R. F. C. took that questionable security; but afterward, somehow, Jesse Jones made the public believe it was good and unloaded it and got his money back probably with some profit.

In this revolving fund they are gradually getting more and more, and now they have a very large amount. Probably they now have nearly \$3,000,000,000 for future use. Our good friends are worrying about that feature of the law, which will allow the formation of any kind of a corporation they see fit. Of course, it is very disturbing to private capital. We speak of Jesse Jones, and, as much as I appreciate him, he has now too much responsibility for any one man to assume. But, Mr. Chairman, he may not be there tomorrow, but there will be this responsibility for some other to assume. How contemptible we must appear in the eyes of our Chief Executive. He wants to have all these powers renewed. He does not wish to risk coming back to us with reasons for their reissue. He wants all these things directly in his own hands for the moment when the impulse to use them seizes him.

It is true that in another body they did specifically restrict the use of funds to build a dam on the Tombigbee River, the Florida Canal, the St. Lawrence and Passamaquoddy. I voted in the committee to strike that out, and it may seem strange that one on the minority side so voted. It seemed ridiculous to me to name especially these four things. I thought it was highly dangerous to name only these, and thereby suggest that any other venture could be entered upon. It was also written in that any project Congress had previously refused to approve could be started. I don't think you will find that in the amendments to be offered, but then you don't know what the amendments there are to be suggested. I have a copy of the proposed amendments. Most of them are unimportant, mostly renumbering. Two are very important. I sympathize with the gentleman from Michigan [Mr. Wolcott] in the use of strong language. What did he say—that they could do

anything under "God's heaven." It is all right to say that if you say it only for emphasis. He is greatly disturbed about the future of our Government. So am I. So are some of the Democratic Senators on the other side of the Capitol, but they thought they could not vote against the whole bill, although they disliked it in principle. Principle! Where is there any principle left? Nowadays we vote to support leadership and for personalities. We follow the expediencies of the moment.

I desire the attention of the gentleman from Missouri [Mr. WILLIAMS], the acting chairman. My brain must be very clouded, as I am confused by the language in the bill. The R. F. C. will form a corporation to buy British or Chinese securities—or loan to any person, government, bank, or person. The paragraph ends by saying that the loans can be made only on securities of the United States, a subdivision, division thereof, or securities of a corporation formed under the laws of the United States. There seems to be a complication there. I want my chairman on this side to consider this language. It seems that they may loan to any agent of the British Government on foreign securities, and immediately it reads that these loans can be made only on the securities of the United States, its subdivisions or United States corporations.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. WOLCOTT. Mr. Chairman, I yield the gentleman 1 minute more.

Mr. GIFFORD. If there is a complication there I would like to see it amended. I regret that the House has no copies of the hearings. You might get a little enlightenment from the debate in the other body. I have read that very carefully. We have had but an executive session, and so you will be voting rather blindly. We are supposed to just vote to give extraordinary powers to the President of the United States and to the Loan Administrator. My good friend the Honorable Robert Luce in about his last utterance in this Chamber said that "that law is best which is administered best." As long as Jesse Jones was to administer he had great confidence. Personalities do not so much interest and assure me. Others, less able, usually are selected for their places. Shall we abandon principle today, and just vote for expediency?

The CHAIRMAN. The time of the gentleman from Massachusetts has again expired.

Mr. WOLCOTT. Mr. Chairman, I yield the gentleman 1 minute more.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I yield.

Miss SUMNER of Illinois. I do not think it is friendly to a man who is administrator of a big loan agency like this to give him so much responsibility and praise in this way, for this reason: We all know that right now things are going on in this agency that may be uncovered. We ought to acknowledge right here at the outset that Jesse Jones has so much responsibility and so many duties that he cannot know all the things that are go-

ing on. He cannot know on what basis some of these loans are being made.

Mr. GIFFORD. When he selects the best men he can find, men that he must necessarily know, they will say he is putting his personal friends into office. They are already saying such things. I want to remind you that my reputation is simply what they say behind my back. [Laughter and applause.]

[Here the gavel fell.]

Mr. WILLIAMS. Mr. Chairman, I yield 5 minutes to the gentleman from Montana [Mr. O'CONNOR].

Mr. O'CONNOR. Mr. Chairman, I ask unanimous consent to speak on a matter that is not connected with the bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Montana?

There was no objection.

Mr. O'CONNOR. Mr. Chairman, only a few weeks ago, we hailed with hope the creation of the National Defense Mediation Board, seeing in it the possibility that the democratic process of mediation might help maintain industrial peace in our Nation in these critical days.

Surely it is not too much to expect that any upstanding, righteous, and patriotic American citizen should abstain from intervening in any situation so serious as to have been laid before this last-stage board of mediation for amicable settlement. Surely we should recognize the justice in the position of the Mediation Board authorities that when a case is finally certified to them for adjustment, they should be permitted a full and unhampered opportunity to go into the problems involved and attempt to bring about a satisfactory conclusion that will result in industrial peace.

On the floor of the House recently a Member of Congress unfortunately made an attack upon one side of a controversy which has been in the hands of the Mediation Board since April 23. The long period of deliberation of this case by the Board should have been ample indication to the gentleman that the issues to be decided, if a permanent solution to the situation were to be found, were difficult of solution. Into such a difficult situation, the attack made on the floor might add fuel to the flames, making the task of this new agency of our Government, entrusted with this assignment, doubly difficult.

I have called attention to this attack because I happen to have first-hand knowledge of one of the people involved. Mr. Reid Robinson, president of the International Union of Mine, Mill, and Smelter Workers and also a vice president of the Congress of Industrial Organizations, happens to be one of Montana's best sons. Mr. Robinson comes from Butte. He worked in the mines and went to school at night. He became a leader of the men in my State. He was thought good enough by men in other States to become president of the organization nationally—an organization covering all miners except those in coal, as well as workers in smelters, refineries, and metal-fabricating plants throughout our Nation. He has helped build this union in a short 5 years into one of

the most powerful in our country. It has a record of accomplishment and responsibility.

We in Montana know Reid Robinson and are proud of his record. If, as has been criticized on this floor, he has been active in keeping our Nation at peace, in Montana at least that is still no crime.

I might say that organized labor has learned through sad experience that it is never attacked unless it is really doing an effective job. So in this case—the 2-month-old strike of the International Union of Mine, Mill, and Smelter Workers against American Potash & Chemical Corporation at Trona, Calif.—we find the workers and the union suffering patiently through 5 long years of Labor Board procedure, circuit courts, and, finally, the Supreme Court itself, a long but successful fight to win the right to join a union of their own choosing without discrimination by the company and to bargain collectively through their union to better their conditions. But even after this long case history the company apparently was unwilling to accept the inevitable and to deal with its workers in the American way—around the conference table.

Thus after fruitless weeks of attempted negotiations—a long, long cooling-off period, if you please—the workers finally struck. A month and one-half later the company finally was able to maneuver the strike into Washington before the Mediation Board. Since April 23 even the Board has been unable to make the company come to terms.

And suddenly the company discovers a "red" plot against the defense program. The gentleman who attacked the union on this floor referred to a Mr. Stuart Neary as an informant. Be it noted that Mr. Neary is the attorney representing the company in negotiations and before the Mediation Board. It may well be questioned whether this attorney might not be more effectively helping settle this strike around the conference table—or if he doubts his value there, by removing himself from this controversy—rather than by helping to create still more antagonism in this situation.

The union and its leaders have been charged with sabotaging national defense by tying up production of vital raw materials. I am happy to call to the attention of this body the fact that the union representatives, indeed the very union representatives that were attacked on this floor, pledged to the National Defense Mediation Board weeks ago that the strikers would be happy to move any products which the Mediation Board could show were needed in specific Government defense contracts. The Board has had this pledge for weeks; no such list of contracts has yet been compiled for the Board by either the War Department or the O. P. M.; so that the union and its representatives cannot in the slightest honest way be accused of sabotaging national defense.

It is true that the United States Conciliation Service, the O. P. M., and the Mediation Board have tried to settle this strike; I am informed that it is equally true that the union has been willing at every stage to negotiate a settlement and

that such a settlement has been prevented by the open-shop interests of southern California.

We can question the actions of a company which has had so unsavory a record of relationship with its employees for so many years. We may seriously ponder what influence is exerted upon this company—American Potash & Chemical Corporation—by its joint Dutch-British owners—especially when we realize that the Nazis have taken over Dutch interests.

The history of this case shows clearly that the fundamental issues of working conditions, of wages, of union security must be faced squarely once and for all.

No name-calling can becloud those issues, or solve them. Only true collective bargaining will do that.

This case is but typical of the scores that have come, and will yet come, before the National Defense Mediation Board. If we are truly concerned with the welfare of our Nation, if we would help the Board in its difficult mission, it is our duty to let the Board handle its affairs without ourselves arousing the ill-will and passions that must be erased. To persist in meddling with the Board's affairs would indeed be a major cause of prolonging differences; in my opinion, to persist in meddling with the Board's affairs would in fact be in itself a campaign of sabotage which would endanger our security and give aid and comfort to our enemies.

I want to say with reference to this union that it has been in existence for about 5 years and I am informed that never once has it been on strike. Robinson is at the head of that union and was characterized as a Communist on the floor of this House. I know the gentleman who called him that did not intend to do the man an injustice but was misinformed as to the character of Mr. Robinson.

I know that it is easy to call a man a Communist. It is easy to charge and accuse, and hard to defend. I recall 25 years ago that when we found somebody who disagreed with us we called him a pro-German or something similar. Today, when we find somebody who does not agree with us on many points, we are prone to call him a pro-Nazi or something like that. Now, we are going to go through times in this Chamber when debate will be heated; when men may temporarily lose their poise. Therefore, I want to say now that we ought to know whereof we speak before we call a man pro-German, pro-Nazi, Communist, or anything else but American.

I hope that perhaps these few words will lay the foundation for more circumspection to be used in relation to charges that are preferred against men, regardless of their position in life.

Strikes are not always justified. Perhaps they are seldom justified. I do not know. I have studied many of them. I have always found that there were two sides and sometimes three sides to the questions involved. So I hope that, simply because we cannot have everything as we would like, simply because one of us does not agree with the other, that we are not going to accuse each other

of being pro-something, other than being American. [Applause.]

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. DEWEY].

Mr. DEWEY. Mr. Chairman, last evening, in company with millions of my fellow citizens, I listened to the President's radio address in which he declared an unlimited national emergency.

Regardless whether we agree or disagree as to whether the situation today justifies such a drastic step, the President has stated his position and his are the responsibilities for what may transpire.

As a minority Member of the House, I also have responsibilities to the men and women who sent me here, to my party, and, above all, to the well-being of my country. In consideration of all these factors, I shall not yield my rights as a member of what I hope will always be a constructive minority; but, at the same time, I shall do all in my power, without thought of partisanship, to implement and push forward all legislation that will bring our country to the highest point of defense fitness in all its branches—military, economic, and social.

The National Defense Act of June 1916, as amended, empowers the President under certain conditions, which I believe his proclamation of last evening covers, even to take over and operate industries engaged in the manufacture of national-defense items.

Amendments of the R. F. C. Act, as contained in Public, No. 66, Seventy-sixth Congress, implements such procedure if found necessary, by providing the means by which capital can be supplied by the R. F. C. for the operation or assistance to any plant operating independently or under Government supervision. Making capital available will aid industry to proceed rapidly in mobilizing its efforts for national-defense production.

The pending bill, S. 1438, is an extension of the purposes as mentioned and provides for certain new purposes in connection with the defense program. It enlarges the R. F. C. lending powers and authorizes an increase in the obligations of the R. F. C. that may be outstanding by \$1,500,000,000.

In view of the national emergency I recommend the passage of the pending bill as amended by my Committee on Banking and Currency.

I wish to state that in making my recommendation I definitely have in mind that these enormous powers, many of which are a surrender of the functions of Congress to which surrenders I am generally opposed, are a surrender solely in the interest of national defense and only during the period of the emergency and shall terminate by operation of law on January 22, 1947. [Applause.]

Mr. WOLCOTT. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. SMITH].

Mr. SMITH of Ohio. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. SMITH of Ohio. Mr. Chairman, I intend to discuss only a few points in this bill and only in a general way.

First, I want to say something about the argument that is being put forward that this power should be granted because Mr. Jesse Jones is a good administrator and has proven himself very efficient, and that he can be trusted to not abuse this power if it is granted. Of course, that is an argument for personal government and nothing else. It is, to be sure, in line with the general sentiment of the Congress that has been exhibited in the last 8 or 10 years.

We are discussing now one of the programs which originally was supposed to be of an emergency nature. Like many of the other programs which were set up to meet an emergency, it promises to become permanent. Like most of these agencies, it appears also to be getting out of control.

The Reconstruction Finance Corporation has been praised very highly as one of the splendid Government agencies and is acclaimed as a success. When the Reconstruction Finance Corporation was established, it likely was not foreseen what it might eventually lead into; but it is leading into exactly what might have been anticipated. That it should tend to continually grow and expand could have been expected. When you open the Treasury door to the public as the Reconstruction Finance Corporation did, there is no telling where such an act may lead.

We have been from time to time increasing the lending power of the Reconstruction Finance Corporation. I do not know what the total lending power of the R. F. C. is at the present time, but I know that since I have been a member of the Committee on Banking and Currency the amount has been increased. Let us, however, reflect a little on what is taking place with respect to these lending agencies.

Up to the present time the thirty-odd lending agencies have made loans in the amount of about \$27,000,000,000. They have, roundly, something like \$8,000,000,-000 or \$10,000,000,000 outstanding. The Government is investing about \$5,000,-000,000 in plant expansion for the manufacture of defense articles.

Mr. Chairman, I hold in my hand a book written by Mr. L. E. Hubbard, the expert on Russia for the Bank of England. This book is entitled "Soviet Money and Finance." I should like to have anyone read this book carefully and examine the lending program of Soviet Russia and then compare it with the Government lending program we now have in the United States. After making this comparison see if he will not come to the conclusion that the lending methods of the two countries are very similar.

Russia has no private industry. She has, of course, no standard unit of value. Our standard unit of value has been destroyed, which is progressively destroying our private industry. The money loaned by the banks at the present time is about what it was in 1932. Also, the old capital, so to speak, is becoming dissipated and is disappearing.

From 1929 to 1937 there was a shrinkage in the net capital invested in manufacturing industries in this country of about \$14,000,000,000.

I should like to know this: What is going to stop further rapid growth of these lending agencies as long as private industry is in the condition we find it today, blocked, kept altogether from advancing? Is it not likely that the Reconstruction Finance Corporation will continue to grow? That we shall from time to time continue to increase its lending powers? Is it not likely the same thing is going to take place with respect to the other lending agencies? I see nothing to stop this growth and development. Where is it all leading?

Another feature about the Reconstruction Finance Corporation which I feel should be mentioned is the practice of setting up other corporations under the Reconstruction Finance Corporation. Why these subsidiary corporations? Why not have all of the functions carried on with Reconstruction Corporation funds performed by the Reconstruction Finance Corporation, and make it responsible for all the activities? As nearly as I can tell the purpose of setting up these subsidiary corporations under the Reconstruction Finance Corporation is to relieve the R. F. C. from having any losses shown on its books.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri [Mr. PLOESER].

Mr. PLOESER. Mr. Chairman, I requested time from the minority side of the committee for the express purpose of reading to the House a press release from the Department of Agriculture. This release roused my curiosity. I ask the majority Members if what I am about to read is one of the many things that might be done under the privileges of various lending agencies, and whether or not our Government is more interested in expending our money for the benefit of foreign nations than for our own people?

Under date of May 26—that is the day before yesterday—the Agricultural Department released this statement for the press:

#### GROUP OF CENTRAL AND SOUTH AMERICAN ENGINEERS TO SPEND YEAR WITH R. E. A.

The Department of Agriculture today announced that a group of outstanding young Central and South American engineers will spend a year studying the methods and techniques of the Rural Electrification Administration. One of these engineers, Manuel Lopez-Jimenez, of Peru, is on his way by sea to the United States, and another, Luis Adolfo Cagno Rossi, of Uruguay, is due to sail from Montevideo on May 30. Both engineers are expected to reach Washington around the middle of June. About half a dozen others are expected to leave their respective countries within the next few weeks.

The plan of having a group of engineers from the other American republics spend a year as student members of the Rural Electrification Administration staff is a cooperative effort by the various American governments concerned, to facilitate and expand mutual understanding of technical electrification problems.

The Rural Electrification Administration has been assisted in arranging this program for receiving Latin-American students by the

Office of Foreign Agricultural Relations of the Department of Agriculture, the Division of Cultural Relations of the State Department, and the Office of the Coordinator for Commercial and Cultural Relations between the American republics.

The last-named office has made available funds to pay the traveling expenses of the engineers from the southern republics and to provide each of them a monthly allowance of \$135 for the training period with the Rural Electrification Administration. That allowance is equal to the amount paid to the United States engineering trainees whom the Rural Electrification Administration takes in each year.

When these details had been worked out, the Department of State conveyed invitations to several other American republics. Each government was asked to select a candidate. It was requested that the candidates be between 20 and 30 years old, preferably single, and graduates of a high-ranking engineering school with some work in electrical engineering. The trainees so far selected have a working knowledge of English, and many R. E. A. employees are learning Spanish.

In addition to Uruguay and Peru, Argentina and Mexico have already suggested candidates, both highly skilled engineers.

During the early part of their stay in Washington, the Central and South American engineers will work with the trainees from United States engineering schools.

After a short period of orientation, the Central and South Americans will be given training and practical duties in keeping with their experience and ability.

During their year in North America, the R. E. A. will make arrangements for their housing, for their training, and for inspection trips which they will take. These will include assignments with leading manufacturers of electrical supplies and equipment. Toward the close of their stay, they will be assigned to visit R. E. A. systems throughout the United States in company with R. E. A. construction and operations engineers.

Each of the two engineers named has won considerable distinction in his own country. Señor Lopez-Jimenez, who is 30 years old, was graduated from the Peruvian National School of Engineers in 1937. After graduation, he went to Ayacucho to start an electric power system. Upon his return to Peru after his year with the R. E. A., he expects to engage in rural electrification engineering in the central Andean region on a rather ambitious scale.

Señor Rossi, who is 29 years old, was graduated in 1937 from the faculty of engineering of the University of the Republic at Montevideo, Uruguay. He has had 8 years of practical experience, including 3 years, subsequent to obtaining his degree, in the Government-owned power station at Montevideo.

The question I ask of the committee is, Is it the intention of this administration to provide funds for the education of seemingly every other nation in the Western Hemisphere besides our own?

Apparently it is the practice.

Mr. Chairman, I yield back the balance of my time.

Mr. SACKS. Mr. Chairman, will the gentleman yield?

Mr. PLOESER. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The gentleman from Missouri yields back 1 minute.

Mr. WILLIAMS. Mr. Chairman, I yield 5 minutes to the gentleman from Idaho [Mr. WHITE].

Mr. WHITE. Mr. Chairman, this legislation raises some very serious prob-

lems. On page 7, line 4, section 3 of the bill, I find the following language:

SEC. 3. Section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by adding at the end thereof the following new sentences: "The foregoing exemptions with respect to taxation (which shall, for all purposes, be deemed to include sales taxes and use taxes), whether now, heretofore, or hereafter imposed, levied, or assessed, and whether for a past, present, or future taxing period, are hereby extended to apply with respect to Defense Homes Corporation, and shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation to aid the Government of the United States in its national-defense program, (2) the RFC Mortgage Company, the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. The loans made, and personal property owned, by the Reconstruction Finance Corporation or by any such corporation shall be construed as included within such exemptions."

It is a pretty well-established policy of the Federal Government that these agencies and particularly revenue-producing agencies should pay a part of the cost of maintaining the local communities. In this bill, however, we have a provision with reference to the Defense Homes Corporation. In the first place this Corporation can go into a community and construct any number of homes, bring in these transient temporary workers employed by the Government, domicile them and their families in these homes and the property will escape taxation.

Mr. SACKS. Will the gentleman yield?

Mr. WHITE. I yield to the gentleman from Pennsylvania.

Mr. SACKS. May I inform the gentleman that the provision covering the Defense Homes Corporation will be stricken out of the bill by committee amendment to be presented later.

Mr. WHITE. I am taking the bill on its face and the language it contains. I may say to the gentleman that time after time here when we consider legislation we accept the interpretation or the construction of a Member of the House as to what the language means, but when the court comes to construe the language of the legislation the man who devised it or who put the language in the bill is not in court. The court takes what is contained in the language of the bill and that is what it is governed by. I am glad to have the information which the gentleman has furnished.

Mr. Chairman, I want to call the attention of the Members of the House to a very serious problem that is being raised by this plan of exempting from taxation these big units that will bring hundreds of people into communities, thereby over-

loading the schools, also receiving fire and police protection, and not paying a dollar toward the support of that community. That is a pretty well established policy of the Government to assist in meeting these expenses by making payments in lieu of taxes.

As chairman of the Irrigation and Reclamation Committee, I have had charge of the handling of the revision of the Boulder Dam bill, and we provided in that bill that the States of Arizona and Nevada would each get \$300,000 a year in lieu of taxes to support the schools of the States. Down here in the Tennessee Valley Authority we provided that 10 percent of the money that comes from its revenue be divided between the States and the local taxing communities in order to support the schools, police and fire protection, and to do all of the things that taxation does.

Here we are financing with tax-exempt bonds. We are going out and overloading these communities and schools with an influx of population and then exempt them from taxation. I want the Congress to do something to take care of this situation.

Mr. MCNRONEY. Will the gentleman yield?

Mr. WHITE. I yield to the gentleman from Oklahoma.

Mr. MONRONEY. The gentleman knows, does he not, that the R. F. C. real estate and the improvements to that real estate are subject under section 10 of the R. F. C. Act to the local ad valorem taxes and that is just exactly what the gentleman is talking about.

Mr. WHITE. What does the language mean when it says it is exempt from taxation?

Mr. MONRONEY. It is exempt from sales taxes, occupational taxes, and other taxes of that nature, but, if the gentleman will read this bill he will find that the R. F. C. real property is still subject to all the ad valorem taxes.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. KEEFE].

Mr. KEEFE. Mr. Chairman, I conceive, in view of the very broad implications that are contained in the pending legislation, that what I shall say may be of extreme collateral interest to the Members of this House. I think we are all aware by now, if we were not aware heretofore, of the critical position the Government finds itself in growing out of our international affairs. The Nation's emotions and sympathies have been whipped up during the last few months on the ground that Britain's shipping was being sunk and that it is necessary to expand our aid in order to keep her lifeline open. That fact was reiterated again and again by the President last evening.

Mr. Chairman, I am beginning to wonder if all of the published facts relative to Britain's sea losses and the destruction of her cities by bombs have not been colored to some degree for the purpose of stimulating and encouraging the hysteria and emotions of the American people.

As justification for this statement, and in very apparent contradiction of much of the propaganda being fed to the American people, I direct your attention to a publication which I hold in my hand entitled "The Times Trade and Engineering, Special Export Number," published on April 2, 1941, by the Times Publishing Co. in Printing House Square in the city of London.

In this special export number appears a statement by F. D'Arcy Cooper, chairman of the executive committee of the Export Council created by the British Government in February 1940. This article bears the heading "Need for Selected Exports"—"Value of United States Market." The statement is exceedingly illuminating in view of the current discussion involving freedom of the seas and the necessity for all-cut aid to England as announced by the President in the speech delivered to the world last night.

I quote from this statement made by the chairman of the executive committee of the Export Council of the British Government:

In time of war, the export trade is necessarily upset because for war purposes so much of the means of production, whether raw materials, labor, or factory plant, especially those connected with the iron and steel industry, are required to meet the huge requirements of war industry. Appreciating this, the Government, in February 1940, formed an export council, whose main duty was to increase the export trade and to retain the markets on which the country is so dependent in times of peace. During the first few months after the export council was formed, our exports increased. Then, in May 1940, came the unexpected fall of France and the occupation of practically the whole of the European Continent by the German Army, with the result that many of our markets were cut off. It was now evident that the export trade which was of greatest value was that which went to the countries using dollar currencies. Of these, of course, the United States of America is the most important, and there one of our immediate difficulties was that in assessing ad valorem import duties, the United States authorities considered they were bound, under their own legislation, to include the amount of British purchase tax in the value of the goods. Efforts are being made which, it is hoped, will be successful to get Congress under a bill which is known as the Cullen bill to say that the purchase tax need not be added to the value of the goods imported into the United States. In the United States of America today we are faced with a favorable combination of circumstances that may never arise again and it is our duty to see that we take every advantage of them.

Here we find official expression of the British Government indicating their intervention into the purely domestic legislative affairs of the United States in hopes to obtain additional benefits through a reduction of import duties that will permit further competition with American industry.

It is also to be noted that the writer of this article clearly indicates the intent of Britain to take advantage of the emotional sentiment of the American people in order to increase the volume of British exports to this country.

The writer further says, and I quote:

Perhaps the most important fact is that sympathy for Great Britain and the desire to

help her is greater than it has ever been in the history of the United States.

It is easy to see from the statements in this article that Britain is translating that sentiment into commercial trade as a result of her efforts to increase her exports to this country even in the face of the dire situation in which she finds herself at home.

Many people in America have been led to believe that Britain's shipping losses have been so great and the bombing of her manufacturing enterprises so extensive that she is unable to carry on her industrial economy. I quote from Mr. Cooper on this important subject, when he says:

If Britain has goods to sell, provided, of course, that the price is not altogether unreasonable, there seems to be no difficulty whatever in selling. The only uncertainty in the mind of the buyer—and it is a very natural one—is whether, if he orders the goods, they will be delivered. It is useless to say to him, which is true, that until now the delivery of goods from Great Britain has been extremely regular and that letters have been received from many of the big purchasing houses expressing wonder and admiration at the regularity with which British goods have been received.

Mr. Cooper very clearly reflects the sentiment of great British manufacturers, whom I shall hereafter refer to, that Britain can and will deliver the goods. Mr. Cooper further states:

It seems to me that we want some research as to what demand there is for British goods and what prices the public are prepared to pay for them. There are in America many organizations which are prepared to undertake this job and I believe the cost of it would not be very heavy and could be financed by the generosity of local people either of British or American nationality in the States themselves so that there could not be any waste of our Treasury's valuable dollars.

He indicates clearly in this statement the drive that is under way to extend British markets and exports into the countries using dollar currencies and indicates a different attitude toward the so-called sterling bloc. I quote him when he says:

When we leave the dollar countries and turn to the sterling bloc, the position is different. Except for South Africa, whose gold production puts her into the dollar class, there is no great purpose to be served, except for preserving markets in peacetime (and I do not think we shall lose them in the long run), to export to any countries in the sterling bloc unless they are to serve our needs and to save dollar expenditures.

Not only are the people of America called upon to extend every aid to Britain under the terms of the lend-lease bill, but manufacturers are being subjected to an extensive drive of British-made goods that will have a tremendous effect upon our post-war economy.

Permit me to state that it has come under my observation recently that a number of concerns engaged heretofore in the export field with plants in the district I am honored to represent are seeing their export business curtailed due to the exigencies of national defense and aid to Britain, and the demand has been made of them that they forego any thought of "business as usual," and yet

Britain is apparently able to deliver her goods into the markets of the world, and is pushing out a plan to extend her world markets upon specific assurance that she can produce and deliver the goods.

I believe these facts are worthy of the careful and cool consideration of the people of America.

I direct your attention to the attitude expressed by the great British manufacturing concerns who carry large ads in this export edition. Among many of similar character, I note one from the F. & C. Nonferrous Foundry, Ltd., in which they clearly state:

These works have now been considerably extended and we are therefore in the position to execute additional orders for all kinds of nonferrous, die, and sand castings.

C. A. Parsons & Co. Ltd., with large manufacturing facilities located at Newcastle on Tyne, state:

C. A. Parsons & Co., Ltd., are maintaining their overseas offices and have over one-quarter million kilowatts of turbogenerating plant under construction for the export market.

Mather & Platt, Ltd., of Manchester, make this rather startling announcement:

We take this opportunity of thanking our customers in all parts of the world for their continued confidence and for the orders they have sent us for our various products, including bleaching, dyeing, printing, and finishing machinery for textiles, electric motors, and generators, centrifugal pumps, etc.

They further state:

Export orders are being executed with regularity. In spite of the war, shipments have been made every month, with only moderately extended periods for delivery, and we remain at the service of our world-wide friends and customers for all our standard products.

Pilkington Bros., Ltd., manufacturers of glass products, state to their customers throughout the world that "Britain delivers the goods."

The General Electric Co., Ltd., of England, the largest British electric-manufacturing organization in the Empire, announces through the columns of this export number that—

G. E. C. continues and will continue to supply existing markets and new markets.

Time will not permit further reference, but I think it is only pertinent to say that the references quoted clearly indicate that Britain still maintains not only the manufacturing facilities to compete in the world markets for world trade but also has the facilities with which to guarantee delivery.

My attention has been called recently to the cancellation of orders by concerns in South America for machine tools manufactured in my district due to the price competition of British machine-tool manufacturers.

It seems, in the consideration of the problems arising out of our critical international situation, that we should be guided in our judgment by cold, hard facts rather than by emotional sentiment and in the face of the statements which I have referred to, coming directly from official sources and from manufacturing

organizations doing world-wide business in England, we may well consider whether or not in our attitude we are permitting our emotions to dictate our judgment.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. KEEFE. I yield to the gentleman from Arkansas.

Mr. SHORT. The gentleman has made a very splendid statement, and I think a very accurate one. Immediately before this present war in Europe broke out, everywhere one went in England he read the sign, "Buy only British. Buy only British." Yesterday, as I walked up and down the streets of New York City, it seemed to me that in every other store I saw British badges and banners and British flags. I saw very few American flags, but I did read this slogan, "Britain delivers the goods. Buy British in order to help America."

Mr. KEEFE. I am not calling this to your attention to disparage the efforts to sell British merchandise. I am simply relating facts.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield 2 additional minutes to the gentleman from Wisconsin.

Mr. KEEFE. I am simply bringing to the attention of the Congress and the people some facts. You can place your own interpretation on them.

It stands to reason that if Britain can continue to maintain these essential trade routes into South America and into the Western Hemisphere, and can deliver her "business as usual, goods, and commodities" manufactured in Great Britain, it is a little unfair to ask an American manufacturer to give up his export market and refrain under priority rulings from selling machine tools into an export market that is now being furnished by Great Britain, under the assumption, as we have been told, that her manufacturing enterprises have been blown off the face of the earth.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. KEEFE. I yield to the gentleman from Arkansas.

Mr. SHORT. May I say to the gentleman that I was not disparaging British goods or their quality, because they make very fine goods, and I even confess that I have purchased some myself. However, the gentleman will recognize, and I believe he has already admitted, that Britain is producing these goods in direct competition with our own American laborers and manufacturers. If Britain can ship to this country clothing and china ware and silverware and all kinds of commercial products, as well as ship commercial airplanes to South America, without the United States convoying them, then certainly she should be able to take war materials from this country over to England. If she can bring, she can take.

Mr. KEEFE. I thank the gentleman for his contribution. [Applause.]

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I yield the balance of the time to the gentleman from Wisconsin [Mr. JOHNS].

Mr. JOHNS. Mr. Chairman, during the last few years we have started out not

only to police the world and tell them what to do, but we are now trying to wind up by financing the world and becoming the banker for all the world.

I just want to quote from subsection (2) of section 4 of this act, which reads as follows:

When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government. Such loans may be made only upon the security of bonds, debentures stocks, or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State.

Now, if you will notice, we can make loans to any government on the face of the earth. This is in the discretion of the President of the United States.

Last night, in his address to the American people, he said we were going to defend the democracies of the world. I do not think he said anything unusual last night because I think according to reports we are doing everything now that he said we were going to do in the future. He was only notifying the American people of what is going on. We started out here with a neutrality law. We started cut by taking in the National Guard and having conscription, with the understanding we were going to train them and that they would be kept here on American soil, but today they have been scattered throughout the world. You will find them everywhere and we are now defending the democracies of the world and it is proposed now to put up \$1,500,000,000 more to lend these foreign countries.

I would be derelict in my duty if I did not get up here as a Representative of the people of my district and of the country at large and say to you that we now owe forty-seven-billion-six-hundred-and-some-odd-million dollars, that we are paying over \$1,100,000,000 a year in interest on these obligations. In 1914, prior to the time we entered the World War, we were running this country for about \$750,000,000. The interest on our obligations next year will be probably a billion and a half dollars. The best prosperity we have ever enjoyed in this country was between 1922 and 1932, and the best we could do at that time, with one of the greatest financiers this country has ever produced, was to pay off about \$1,000,000,000 a year and pay the interest on our obligations.

We are going to be asked in a few days to appropriate \$3,318,000,000 more for airplanes in this country. We are now asked here today to increase the lending power of the Reconstruction Finance Corporation \$1,500,000,000. We have the Import-Export Bank which we have empowered to make loans to foreign countries and we have many of those loans already made and are making more constantly.

I call attention to the fact that these loans are to be made to everybody, and

that a few years ago we had a commission which checked up on some of these countries we have already made loans to through private individuals and that commission found that 70 percent of these loans were in default. I am thinking of America, and in terms of America today, and if we are going to continue this constantly asking people to pay more money and more taxes, there is going to be an end to it. We have reached that point now. We have been borrowing money for the past 8 years and issuing obligations of the Government for it, and the people have been taking that as a matter of course, but the time has arrived now when the day of reckoning is here. [Applause.]

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. WILLIAMS rose.

The CHAIRMAN. The gentleman from Missouri is recognized for 53 minutes.

Mr. WILLIAMS. Mr. Chairman, it is needless for me to say that I am in favor of this legislation and the amendments offered by the committee. I ask unanimous consent to extend my remarks at this point.

The CHAIRMAN. Is there objection? There was no objection.

#### PROVISIONS OF THE BILL

Mr. WILLIAMS. Mr. Chairman, this bill extends the activity of the Disaster Loan Corporation, which is owned and operated by the Reconstruction Finance Corporation, and makes loans in distressed areas caused by some great calamity, such as floods, earthquakes, and cyclones. It extends the life of the Electric Home and Farm Authority, which is a Government agency, owned by the United States Treasury and operated by a board of trustees, and helps in financing the purchase of electric and gas appliances. This act specifically exempts the personal property of the Reconstruction Finance Corporation and its created corporations from taxation and also grants all the tax exemptions now enjoyed by the Reconstruction Finance Corporation to all the corporations which it may organize. There is perhaps nothing at all new in the tax-exemption provisions of the bill, but it clarifies and definitely states the exemptions as applied to the Reconstruction Finance Corporation and its subsidiaries. This means that their notes, franchise, capital, surplus reserve, and personal property shall be exempt from taxes. This leaves the interest upon and the gains from sales of their obligations subject to Federal taxes and the real estate owned by them subject to a nondiscriminatory local tax.

It must be borne in mind that all the powers and authority granted by this act to the Reconstruction Finance Corporation are to aid the United States in its national-defense program, and such powers can only be exercised or used when requested by the Federal Loan Administrator and approved by the President.

There is really only one new power given by this act to the Reconstruction Finance Corporation. The others are modifications or enlargements of existing

authority. The provision which is entirely new gives the Corporation the authority to make loans to foreign governments or their representative upon the security of American obligations, governmental or private. This is designed to permit the British Government to borrow upon its American securities and not be compelled to dump them upon the market at a great sacrifice, and perhaps by so doing to some extent affect the American market. The British Government can requisition the American securities held by its subjects and then present them to the Reconstruction Finance Corporation as security for a loan and thereby secure dollar exchange with which to purchase war supplies. This provision does not change the Johnson Act, as that act does not prohibit loans by an agency of this Government, such as the Reconstruction Finance Corporation, to a nation that is in default in the payment of its obligations to the United States. This bill does modify the Neutrality Act in that respect. In the consideration of the Export-Import Bank Act last year the committee, by a big majority, adopted a provision permitting the bank to make loans to Canada. This was stricken out in conference because not considered important at that time. In view of the action of this Government under the Lease Lend Act and conditions prevailing, there seems no good reason why a loan may not be made and in some measure help England conserve her resources.

The Reconstruction Finance Corporation, under legislation passed last year, now has authority in aid of the national-defense program to make loans to corporations for the purpose of producing or procuring strategic materials or to acquire plants and equipment for the manufacture of supplies necessary for national defense and also to create corporations with power to purchase or produce strategic materials and to acquire or lease plants and equipment and materials for use in the manufacture of arms, munitions, and implements of war. These plants and equipment may be leased to others to engage in such manufacture or may be operated by the United States through an agency. This act gives the created Corporation the additional right to use the facilities acquired to manufacture any articles, supplies, or materials necessary to national defense. It is also given the power to acquire railroad equipment, commercial aircraft and facilities for the training of aviators, and to sell or lease such equipment and facilities. Finally, the creature Corporation may take such action as the President and Federal Loan Administrator may deem necessary to expedite the national-defense program, but not to exceed \$100,000,000 shall be used under this blanket authority. Many billions of dollars have been appropriated, and the expenditure of this vast sum has been left to the judgment and discretion of executive and administrative officers. No one can foresee what emergencies and necessities may arise. It is impossible to spell out in advance every detail or predict with exactness what may be required to make the national defense effective. It is hardly conceivable that there should

be quibbling and faltering and hesitating about giving some leeway to two of the world's leading men, President Roosevelt and Jesse Jones, in the expenditure of \$100,000,000 in our national defense. That looks petty. It seems trivial. We are going to give them that authority, with the full assurance and complete confidence that it will be wisely and effectively used in the interest of our common defense and general welfare.

The question may well be asked why the note-issuing authority of the Corporation should be expanded \$1,500,000,000. Under the powers now granted to the Corporation, it has created four corporations and made commitments as of April 30 of over \$1,634,000,000 and which by now has been very materially increased. To meet this ever-increasing demand and provide current funds for the Corporation, it must have authority to issue additional notes. The four corporations which have already been created are: Rubber Reserve Company, Metals Reserve Company, Defense Plant Corporation, and Defense Supplies Corporation. The Rubber Company has contracted for some 450,000 tons of rubber. The Metals Company has commitments to purchase various quantities of strategic metals, manganese, tungsten, tin, and so forth, in an amount of over \$600,000,000. The Supplies Corporation has bargained for large quantities of wool, nitrate, and diamond dies, and so forth, to the amount of \$120,000,000. The Plant Corporation has contracts with some 100 companies in 21 States from Massachusetts to California providing for the construction of plants and the purchase of equipment to build aircraft and all its parts, trucks, tanks, munitions, guns, machine tools, and for the construction and equipment of docks and ways for building naval vessels. The contracts involve production in the entire category of arms, munitions, and implements of war. In addition, the Reconstruction Finance Corporation has commitments to make loans for national defense to some 300 companies scattered throughout the entire country in the sum of about \$200,000,000. They include the whole field of national-defense activity, and these commitments are increasing every day. If this work is to go on, the Reconstruction Finance Corporation must have additional funds.

The Reconstruction Finance Corporation was created as a result of a decade of economic folly. During that time the little businessman, the farmer, and laborer had suffered. When at last the big banks, the railroads, and insurance companies were at the end of the road; when they were faced with bankruptcy and ruin, in desperation, they turned to the Government for help. They came pleading on bended knees and uplifted hands begging the Government to save them. The Reconstruction Finance Corporation was born in the desperation and despair of 1932. It was opposed by many, some of whom said that loans made by it under conditions existing at that time would result in a 90-percent loss; that not more than 10 percent of the loans would be repaid. The outlook was dark, conditions were deplorable, and help to private in-

dustry seemed absolutely necessary. The Corporation has become the greatest financial institution on earth, whose loans have reached many billion dollars. Instead of a 90-percent loss as predicted by some, it has accumulated a surplus of over \$300,000,000 and has helped to restore industrial and financial stability as no other organization has. Almost from its inception, it has had at its head not only one of America's greatest and most successful businessmen but one who has a keen insight into the commercial transactions and financial conditions of the entire world. A man who is calm, conservative, and cool but who is sympathetic, considerate, and fair. A man whose judgment is sound, whose purpose is always clear, whose motives are not questioned, and who has the implicit confidence of all. He is not only one of America's great citizens, he is one of the outstanding men in today's troubled world. We all admire, honor, and love Jesse Jones. The Reconstruction Finance Corporation has been and will continue to be one of the most powerful and useful agencies in the national-defense program. It should not be crippled in its work by unfounded suspicions and fears for which there is no justification in view of its past record and its faithful promises of future action.

In order for the Reconstruction Finance Corporation to carry out any of the authority granted by this legislation, three things are necessary:

First. Any action taken must be to aid the United States in its national-defense program.

Second. The action must be requested by the Federal Loan Administrator.

Third. The proposed action must be approved by the President.

The purpose of any action undertaken must be to aid the national-defense program. The action must be requested by Mr. Jones and it must be approved by the President. It would appear reasonable that the Chief Executive of the Nation, who is Commander in Chief of the Army and Navy, and upon whom ultimately falls the responsibility for an effective and an efficient national defense, should be consulted. He not only occupies the unique position and distinction of having been elected President of the United States for the third time by an overwhelming majority of the people, showing their abiding faith and confidence in him, but he is today the symbol and ideal of democracy throughout the world, to whom the subjected and depressed peoples of the earth are looking with confidence and hope for delivery and freedom. Yet there seem to be those in this country who do not trust these two outstanding men to carry out this small part of our defense program.

Some who are opposed to this program are away down in damp and musty cellars or high up in dark and dusty attics with a very dim candle intently searching for minute insects and bugs. There are others who are looking behind doors and under beds for spooks and sprites, and there are still others who are out breathlessly chasing fairies and phantoms. They are exclaiming with every breath "The goblins will get you if you don't

watch out." They may pursue their course, but, as for me, I shall take my stand out in the bright sunlight of reality beside our President and Jesse Jones and clasp hands with them in a sincere and an earnest effort to perfect a national-defense program which will bring safety and security to the American people and encouragement and hope to all of the oppressed people of a war-torn world.

Mr. Chairman, I ask that the Clerk read.

The Clerk read as follows:

*Be it enacted, etc.,* That the act approved February 11, 1937 (U. S. C., 1934 ed., Supp. V, title 15, sec. 605k-1), as amended, is hereby amended by striking out "in the years 1936, 1937, 1938, 1939, or 1940" and inserting in lieu thereof "occurring during the period between January 1, 1936, and January 22, 1947."

Sec. 2. Section 1 of the act approved March 31, 1936 (49 Stat. 1186), as amended, is hereby amended by striking out "June 30, 1941" and inserting in lieu thereof "January 22, 1947."

Sec. 3. Section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by adding at the end thereof the following new sentence: "The foregoing exemptions with respect to taxation (which shall, for all purposes, be deemed to include sales taxes and use taxes), whether now, heretofore, or hereafter imposed, levied, or assessed, and whether for a past, present, or future taxing period, are hereby extended to apply with respect to Defense Homes Corporation, and shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Co., the Rubber Reserve Co., and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation to aid the Government of the United States in its national-defense program, (2) the RFC Mortgage Co., the Federal Nations' Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. The loans made, and personal property owned, by the Reconstruction Finance Corporation or by any such corporation shall be construed as included within such exemptions."

Mr. WILLIAMS. Mr. Chairman, I offer the following committee amendment to section 3:

The Clerk read as follows:

Committee amendments to section 3: Insert before the word "Section", in line 4, page 7, the following:

"(a) The first sentence of section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting before the period at the end thereof the following: ' except as provided in section 4 (a) of the Public Debt Act of 1941.'

"(b)."

Strike out the word "hereby" in line 5, page 7, and insert in lieu thereof the word "further."

Strike out the word "foregoing" in line 6, page 7.

Insert after the word "exemptions" in line 7, page 7, the words "provided for in the preceding sentence."

Strike out the word "sales" in line 8, page 7, and all words and punctuation thereafter through and including the word "and"

In line 12, page 7, and insert in lieu thereof the following: "sales, use, storage, and purchase taxes".

Insert after the word "Corporation", in line 18, page 7, the following: "under section 5d of this act, as amended".

Strike out the word "The" in line 2, page 8, and insert in lieu thereof the following words: "Such exemptions shall also be construed to be applicable to the."

Strike out "such" in line 3, page 8, and all of lines 4 and 5 thereof, and insert in lieu thereof the following: "corporation referred to in clause (1), (2), or (3) of the preceding sentence."

Mr. WOLCOTT. Mr. Chairman, I offer the following substitute for the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. Wolcott as a substitute for the committee amendment offered by Mr. WILLIAMS: Page 7, line 4, strike out all of section 3.

The CHAIRMAN. The Chair is of the opinion that the amendment is hardly a substitute for the amendment offered by the gentleman from Missouri. The amendment offered by the gentleman from Missouri is a perfecting amendment to the Committee amendment.

Mr. WOLCOTT. Then Mr. Chairman, I ask unanimous consent to withdraw my amendment and rise in opposition to the Committee amendment.

The CHAIRMAN. Is there objection? There was no objection.

Mr. WOLCOTT. Mr. Chairman, before beginning my address, I propound a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. WOLCOTT. Whether if the amendment offered by the gentleman from Missouri as a Committee amendment should be adopted, will it then be in order to offer to strike out the whole of section 3 as amended?

The CHAIRMAN. Inasmuch as the amendment offered by the gentleman from Missouri is a perfecting amendment, the Chair holds that an amendment offered as a substitute to strike out the entire section is in order.

Mr. WOLCOTT. Mr. Chairman, I rise now in opposition to the amendment. This is the controversial section of the bill, and is one of the three amendments which perhaps will be controversial. It will be noticed in line 8, on page 5, as committee No. 5, they include a sales tax, use, storage, and purchase taxes, in addition to all other taxation. It is my understanding that if that amendment is read in connection with the sixth amendment, offered to line 18 on page 7, which brings under the terms of this act section 5 (d) of the R. F. C. Act, which is the section authorizing the creation of these corporations about which there has been some dispute, that the property of these corporations set up under 5 (d) and under this bill as amended, if passed, will be exempt from local taxation. At a time when we are trying to raise every cent we can to carry on the Federal establishment in the time of so-called great emergency, it does not seem to me consistent with our activities in raising revenue to make tax-exempt a corporation which is set up for profit for the purpose of competing with private enterprise. If

this is consistent with that program, and if we are going to embark upon a price-fixing program, which has been suggested on other occasions on this floor, then of course all private enterprise which is manufacturing defense articles have the same right to be exempt from State and municipal taxation as these corporations set up by the Reconstruction Finance Corporation.

At the proper time I expect to offer an amendment to strike out this whole section. But surely this amendment, offered by the committee, extending these exemptions to the corporations set up under this bill and under the former bill known as 5 (d) should not be agreed to. These corporations should not be exempted from taxation by States and municipalities. Our States and municipalities are having a terrible time today maintaining the facilities incident to the change in population centers. In my district alone an increase of population in one locality has so crowded the schools and is such a burden upon the fire and police departments that those people are finding it rather difficult to maintain those facilities, to the extent that the Federal Government has already passed remedial legislation to help that locality and others, so long as they are classified as defense areas.

It seems rather inconsistent for the Congress to be appropriating hundreds of millions of dollars to relieve these situations and then making it worse by exempting this property from taxation. We are merely taking it out of one pocket and putting it into another; robbing Peter to pay Paul—call it whatever you please; but it seems to me inconsistent to aggravate this situation that the States find themselves in, by exempting all of this property of these private competing enterprises merely because they are set up by the Federal Government. If it is logical and practical that we exempt these Government-created corporations from taxation, then it is just as consistent and logical that we should exempt all private industries which have defense orders.

[Here the gavel fell.]

Mr. TABER. Mr. Chairman, I ask unanimous consent that the gentleman may have 2 additional minutes.

The CHAIRMAN. Is there objection? There was no objection.

Mr. WOLCOTT. I yield to the gentleman.

Mr. TABER. Would this provision, according to the gentleman's understanding, exempt from taxation the Reynolds Metal Co., organized by that gentleman from Louisville who not so long ago was under investigation by the New York authorities as to the type of securities he was selling?

Mr. WOLCOTT. If that corporation was set up by this act, which authorizes the Reconstruction Finance Corporation to set up a corporation for the manufacture of arms, munitions, and implements of war, it would be exempt from local taxation under this bill, if it is enacted.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. Yes.

Mr. RICH. Suppose private industry was going ahead and doing the same thing for national defense that the Government wants to do with these corporations which they are setting up, is it not just as logical to think that the private corporation should be exempt from taxation as these Government corporations?

Mr. WOLCOTT. I have just made that statement. It should also be applied, if we are logical and consistent, to those concerns to which the Reconstruction Finance Corporation has loaned money for plant expansion, although they do not control the operation of the plant. There is Federal money involved the same as in this, and if it is to be our policy to exempt plants because they are created by the Federal Government, then, of course, we should exempt proportionately plants to which the Reconstruction Finance Corporation has loaned money.

Mr. RICH. Certainly the Government now has to invest money, and the Government takes the chance of losses made by the Corporation, whereas in the private corporation they do not take that chance.

Mr. WOLCOTT. It is not consistent with our announced policy to exempt these properties from taxation. The amendment should be defeated, and the amendment which I will offer later on to strike out the whole section should prevail.

[Here the gavel fell.]

Mr. WILLIAMS. Mr. Chairman, it seems to me there has been a great deal of misunderstanding about this tax provision. The fact is there are very few, if any, changes from the present law with reference to the taxation feature of this bill. To begin with, as everyone knows, the capital stock, the reserves, the surplus, income, franchise, notes and debentures of the Reconstruction Finance Corporation are now and have been from the very beginning, exempt from taxation. There is not a thing new in this legislation in that respect. It does not change one word of that. That has always been true.

The reason for it is very evident, because it is a governmental instrumentality. It could not be taxed, under the law, by local authorities if they wanted to tax it. The only change that is made here, and that after all is not a change but it is simply a clarification and a positive statement of existing law, that is, that the personal property of the Reconstruction Finance Corporation and these creature corporations which it may establish shall not be subject to local taxation. That is all there is in this, and I say again if the local authorities wanted to tax them they could not do it, under the Constitution. They cannot do that. There have been a number of suits against the Reconstruction Finance Corporation attempting to tax their property in the different localities of the country, and without exception they have been held to be not taxable. This is simply a statement of a condition that now exists with reference to that one thing.

Mr. TABER. Will the gentleman yield?

Mr. WILLIAMS. Yes; I yield.

Mr. TABER. Why would the committee bring in a bill carrying this tax-exemption feature if the property were already exempt under the law?

Mr. WILLIAMS. This is an attempt simply to state the existing situation, to clarify the present law and to settle for all time, if we may, the annoyance the Reconstruction Finance Corporation has had with lawsuits from one end of the country to the other involving the question of R. F. C. taxation. The courts have already decided that the property of R. F. C., except its real estate, was not subject to taxation. It is an attempt to clarify the situation and avoid any further controversy over that matter. There is no change, I say again, in present existing law.

Under the Public Debt Act which we passed this year, the income on the securities of the R. F. C. is made subject to taxation and also the gains which may be made by reason of the sale by private individuals of those securities. Those are specifically subject to taxation, and that is the only change. It simply leaves the situation as it now exists.

There has been a great deal of talk here about these plants built in different places being free from taxation. The original R. F. C. Act provided that the real estate owned by the Corporation was not exempt from taxation. That is now and always has been subject to local taxation.

If the Congress wants to permit this stock of strategic materials which the R. F. C. and its allied corporations are buying to be taxed, if it is the policy of Government to permit its own products, its own supplies, and its own strategic materials to be subject to perhaps an unreasonable tax in every city, county, and State in the Nation, we have the right and the privilege of doing it, but that is what this provision prohibits, and they should not be subject to the taxing whim of every local authority in the United States.

[Here the gavel fell.]

Mr. TABER. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, if I am not correct in what I am suggesting, I should like to have gentlemen upon the committee call my attention to it. Subsection 3 of section 3 of the committee amendment, on page 7, reads:

The Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation.

What is the picture of corporations that are organized like the Reynolds Metals outfit, wholly financed by the R. F. C.? That is one step. They are required as a condition of the loans made to them to give to the R. F. C. proxies from their stockholders to vote at the regular and special meetings. They are required also to submit a list of their directors and officers to the R. F. C. for approval before election. If this does not vest the management of the corporation in the R. F. C., I miss my guess.

Mr. WILLIAMS. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. WILLIAMS. I do not happen to be familiar with the corporation of which the gentleman speaks. Is this a corporation owned by the R. F. C.?

Mr. TABER. It is a corporation wholly financed by the R. F. C., and my information is that in the case of this company the R. F. C. requires proxies from stockholders and the right to approve the officers and directors.

Mr. WILLIAMS. Who owns the corporation?

Mr. TABER. The stock is in another name, but the definition in the bill is "wholly financed or wholly managed." How can it be any other than wholly managed when all these things have to be submitted to and done under the direction of the R. F. C., the R. F. C. having the proxy in its agent to vote the stock?

Mr. MILLS of Arkansas. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Mr. MILLS of Arkansas. The officials of the R. F. C., the general counsel for one, have informed me that the Reynolds Metals Corporation would not come within the meaning of this language for the reason that they interpret the expression "wholly financed and wholly managed" to mean a corporation of the type such as the rubber reserve company, where the capital stock is owned outright by the Reconstruction Finance Corporation and where officials of the Reconstruction Finance Corporation form the membership of the Board completely, where people employed by the R. F. C. are in charge of this new corporation that is being set up, where they form the board of directors not by proxy but actually where they are retained as members.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield.

Miss SUMNER of Illinois. I asked the counsel for the Reconstruction Finance Corporation myself in that regard. I have had complaints that when the R. F. C. made loans to some of these large corporations they immediately put some of their friends in the directorate and management, so I thought I would ferret out some of the facts. I asked as to whether they had any directors and management officers in these corporations where they had loans, and I asked him also to give me a list. He explicitly and expressly denied that they had more than one director among all the loans they had made to corporations. If this be true it puts the R. F. C. entirely out of the bracket of having managers in such corporations as the gentleman has indicated.

Mr. TABER. Not if they receive a proxy of the stock and require the right to approve the directorate and the officers. With these powers they have the opportunity to dictate the whole thing.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 2 additional minutes.

The CHAIRMAN. Without objection it is so ordered.

There was no objection.

Mr. STEAGALL. I think I can clear up this matter. I have the information definitely. I thought I had the facts, but I have verified them by inquiry. The Reynolds Metals Co. is not a public corporation.

Mr. TABER. Well, it is wholly financed by the R. F. C.

Mr. STEAGALL. This amendment refers to public corporations. It has nothing to do with private corporations and the Reynolds Metals Co. is a private corporation. All the R. F. C. has ever had to do with the Reynolds Co. is to make a loan to them just as they would to a bank in the gentleman's district or to a railroad or to some industry or other private business. That is all there is to the Reynolds Metals Co. matter.

Mr. TABER. It is wholly financed by the R. F. C.?

Mr. STEAGALL. Oh, no. It is financed in part in the form of a loan, if you want to say it is financed. It is purely a loan. They have not anything more to do with the Reynolds Metals Co. than they have with any private business institution to which a loan is made.

Mr. TABER. But they do require these outfits to submit their list of directors and they require a proxy on the stock, which is voted by their agents?

Mr. STEAGALL. There is no universal requirement like that. I cannot tell the gentleman every detail that entered into the transaction between the Reynolds Metals Co. and the Reconstruction Finance Corporation in arranging this loan, but I can assure the gentleman that the Reconstruction Finance Corporation has nothing on earth to do with this private institution except it made it a loan.

Mr. RICH. Will the gentleman yield?

Mr. TABER. I yield to the gentleman from Pennsylvania.

Mr. RICH. As I understand this Reynolds Metals Co., it is a corporation that was set up with a small capitalization. It was set up by a gentleman in the Attorney General's office who was prosecuting the Aluminum Co. of America. For several years he had been prosecuting the Aluminum Co. of America, and he got so much information from them that he thought it would be a fine thing to start a small company, set up an organization to compete with the Aluminum Co. of America. He put up a small capitalization, but he has borrowed 25 times as much money from the R. F. C. as the capital he put up. That company is getting large sums out of the R. F. C. for the establishment of the Reynolds Metals Co. and it was set up by men who got their information by prosecution of the Aluminum Co. of America.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I want to get this across to the gentleman from New York and those Members who want to know something about the Reynolds Metals Co. The Government started a prosecution of the Aluminum Co. of America. The administration then had one of the men prosecute the Aluminum Co. of America after which he went into the Reynolds Metals Co. After investigation of the

Aluminum Co. of America they found it was a lucrative business which this gentleman was attracted to. What did he do? He went out and got a little bit of extra capitalization, so he could manufacture aluminum, then he went to the R. F. C., and the R. F. C. lends them 20 or 30 million dollars. I do not have the exact figures but I know it was a great, large sum. Maybe it is more than that. I wish the gentleman from Alabama would get this information and check on me if I am not correct. The idea of men in this administration in public office prosecuting the Aluminum Co. of America and taking advantage of the information they get to start in the same business, manufacturing aluminum, it seems to me is a pretty low-down trick. It is pretty mean for an administration employee to go out as an attorney, get this information necessary to manufacture aluminum, then try to take advantage of the Aluminum Co. of America. Now, I do not know anything about the Aluminum Co. and I am not trying to defend them, but I do not think the Federal Government should start in the same business that they are condemning a concern for being in. When they loan great sums to do business I claim they are in the business.

It is just like the hurricane-relief proposition down in Puerto Rico. They established a corporation down there having a capitalization of \$1,800. They sold stock at \$5 a share and had a pretty hard time selling it. What did they do? They lent this corporation down there about \$3,000,000 on a capitalization of about \$1,800. They have a rum plant down there which the Government operates, and they also have a rum plant in the Virgin Islands, which is owned by every individual American citizen. That is the kind of business this administration is getting this Government into in competition with its citizens. That is the kind of business they are doing. We talk about trickery and underhanded work of hoodwinking the American public. Why, I never saw so much of it in my life, the Government in all kinds of business. Whoever heard of such a thing? It is communism pure and simple.

Mr. SHEPPARD. Will the gentleman yield?

Mr. RICH. I yield to the gentleman, who serves on a committee with me, and he knows that the statements that I am making are true about this Puerto Rican situation; that they started off with a capitalization of \$1,800 and then went into the rum business and many other kinds of business, and handed the corporations upward of millions of dollars.

Mr. SHEPPARD. I would like to take the gentleman's mind for a moment from Puerto Rico to the present bill. The gentleman states that the Federal Government started an investigation and as a result of that investigation it is taking unfair advantage of the Aluminum Co. Is that what I understood him to say?

Mr. RICH. No. I say if you are prosecuting a corporation under the antitrust laws because it is a monopoly, you should not take advantage of your position to set others up in competition. It would be better to let other people in this country go into the business of their own

free will—the Government says it has not enough aluminum at this time—and encourage private enterprises. It seems to me that the Government should give the people of this country an opportunity to go into that kind of business instead of the Government sticking the nose of the camel into all kinds of business, instead of the Federal Government making this a communistic Nation, instead of the Federal Government doing everything that is going to tend to put us in the same category as Russia by the Government operating all kinds of business. God forbid that this Nation ever gets to that point. If you gentlemen do not look out, that is what is going to happen by what you are doing. Let us stop it before it is too late. Do not Russianize America.

Mr. SHEPPARD. I would like to ask the gentleman who is conversant with our laws having control over corporations if it is not a fact that information is available upon which anyone can exercise the prerogative of business investment without any investigation of the Federal Government?

Mr. RICH. Yes; but whenever the Federal Government goes into that kind of business there is no opportunity for the private individual to compete with the Government. There is nobody in this country who wants to go into business any more, just because you are making this a communistic Nation. None of you want to go into any business. You would not put a nickel into a business today under the National Labor Relations Board and the Wagner Act. You would not do anything. But you sit here and put the Government into business. You are going to break this country down because you discourage private enterprise instead of encouraging it.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I wish to reiterate the statement that the Reconstruction Finance Corporation has had no transaction with the Reynolds Metals Co. except to make it a loan. I do not know the details of that transaction. It is customary in the operations of the Reconstruction Finance Corporation sometimes to require very exact information as to details and management of an institution seeking a loan. In some instances the Reconstruction Finance Corporation for the protection of the Government requires the borrowing institution to permit the Corporation to be represented in its management.

With reference to the Aluminum Co. I am not going to abuse the patience of the House by any discussion of its history, although some time might very well be employed in that way, I will say to the gentleman who just preceded me that instead of undertaking by this action of the Reconstruction Finance Corporation to destroy a private business institution, the loan made to the Reynolds Metals Co. was for the purpose of assisting an established business institution, one that has been engaged in this business for many years, with plants scattered in several places throughout the country, to aid in our national defense. This loan was made at the instance of the officials of the

Office of Production Management. A request was made to the loan administrator to make this loan in order that this private institution might be equipped to enlarge its facilities, to increase its operations and its output of supplies, which was regarded by those in charge of our national-defense program as necessary to supply aluminum indispensable to national defense.

I had the honor of offering the original Reconstruction Finance Corporation bill in this House under President Hoover. If we had adopted the reasoning disclosed in the gentleman's argument this afternoon, there was not a provision in the bill that was sent to our committee that could have been written into law, because every institution that would have been made eligible for a loan under the Reconstruction Finance Corporation would have been operating in competition with some other existing private institution.

It seems to me to be far more preferable to have the Reconstruction Finance Corporation make loans to private institutions to supply the products we need in the defense program, as was done in the case of the Reynolds Metals Co., than to have the Government through the Reconstruction Finance Corporation organize a corporation and supply the entire fund and have the Government engage in business directly, which, if it were not for purposes of national defense, would justify the contention made by the gentleman who just preceded me.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman from Pennsylvania.

Mr. RICH. My contention is that whenever you establish a capitalization of say \$1,800 for a Government agency and then lend it \$3,000,000, that is an excessive loan for a corporation with a capitalization of that kind, and the Government is in business because it has taken the chance of losing it all. The same thing applies to the Reynolds Metals Co. You have loaned the Reynolds Metals Co. three or four times more than should have been loaned to it, and the Federal Government is taking the chance of loss and not the stockholders of that company.

Suppose you are in the banking business. You would advise your bank directors to know the condition of a corporation when it made a loan. In any bank in which you were chairman of the loan committee you would not recommend that a loan as exorbitant as has been made to the Reynolds Metals Co. be made on the capitalization which exists in that company.

Mr. STEAGALL. I would prefer a loan to a private institution with any reasonable promise of repayment in preference to having the Government go into the business outright with the losses that are necessarily incident to Government operation.

Mr. RICH. I will applaud that statement. That is a fine one.

[Here the gavel fell.]

Mr. SPARKMAN. Mr. Chairman, I move to strike out the last word.

Mr. CHAIRMAN. I would not interpose myself in this discussion at all if I had not heard a few minutes ago some of the most remarkable misstatements of fact that I have ever heard on this floor. I happen to know a little something about the Reynolds Metals Co. They are operating a very large plant in my district. I was amazed to hear the gentleman from Pennsylvania [Mr. RICH] say that it is a new company, that it was just jumped up with a very small capitalization. The Reynolds Metals Co. has been operating for a great many years, I do not know how many years, but I know it has been operating for 15 or 20 years, anyhow.

Mr. HAINES. Mr. Chairman, will the gentleman yield?

Mr. SPARKMAN. I yield to the gentleman from Pennsylvania.

Mr. HAINES. May I say for the benefit of the gentleman that I did business with that company more than 20 years ago.

Mr. SPARKMAN. I am glad the gentleman has made that statement.

This company has twenty-some-odd plants located in 13 different States of the United States. They have a large rolling mill, I believe, over in Louisville. They are building a large rolling mill now down in my district.

The Reynolds Metals Co. was not organized for the purpose of going into the aluminum business. They have been manufacturing aluminum products for more than 20 years, as stated by the gentleman from Pennsylvania [Mr. HAINES]. They have been manufacturing various aluminum products that we use every day of our lives. They have a large business built up.

Mr. BROWN of Georgia. Mr. Chairman, will the gentleman yield?

Mr. SPARKMAN. I yield to the gentleman from Georgia.

Mr. BROWN of Georgia. I am informed by Mr. Hamilton, the attorney for the R. F. C., that the Reynolds Metals Co. has assets of \$19,000,000 and borrowed \$20,000,000 from the R. F. C.

Mr. SPARKMAN. It is also my understanding that Mr. Reynolds did not want particularly to go into this business. He saw the great need that was coming on, and if it had not been for this defense program of ours and the threatened shortage of aluminum, which was becoming very acute, he would never have gone into the business of processing aluminum, but would have contented himself with continuing in the fabricating business, buying the aluminum from the Aluminum Co. of America, as he had been doing.

I do not believe anybody can deny the fact that the Aluminum Co. of America is the outstanding monopoly in this country, or had been until this man manifested great courage in daring to put up all the earnings of his life and all of the assets he had developed over the years in a successful business in order to secure this loan for the purpose of making badly needed aluminum.

I read the statement he made over in the Senate the other day before the Truman committee, and, if I recall correctly, he stated there that the very day

the loan was announced from the R. F. C., the Aluminum Co. of America cut him off from his purchases and did not leave him with enough aluminum to run his fabricating plants. I say to you that if a condition such as that exists in America, it is argument enough for every encouragement on the part of the Government to bring about some means to break down any industry or any business that has such a strangle hold on our country, and especially with regard to such an important element in our national defense as aluminum.

Mr. SHEPPARD. Mr. Chairman, will the gentleman yield at this point?

Mr. SPARKMAN. I yield.

Mr. SHEPPARD. Does the gentleman, by any stretch of the imagination, know where Mr. Reynolds might have gone to be financed other than to the R. F. C.?

Mr. SPARKMAN. The R. F. C. was set up for that very purpose, and he did right in turning to it, and I may say to you that he is going to prove of great help to this country in this defense program of ours. I think he is to be praised and I think the R. F. C. is to be commended highly for helping him go into this business. It was my pleasure to go down there last week and see the first aluminum ever made in this country in opposition to this great monopolistic trust we have had. Reynolds Metals Co. is doing this in order to furnish aluminum for many of the bombers being built in our defense program.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. SPARKMAN. I yield.

Mr. RICH. If this company has been as strong as the gentleman says it is and with the banks of this country having millions of dollars and not knowing what to invest it in, does the gentleman think the banks of the country would refuse such a good loan?

Mr. SPARKMAN. The R. F. C., as a matter of fact, has made many, many greater loans than this particular loan, and I have never heard gentlemen get up here and criticize the R. F. C. for lending to the railroads of the country or lending to the great insurance companies or other great financial institutions. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on agreeing to the Committee amendment.

The Committee amendment was agreed to.

Mr. WOLCOTT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Wolcott: On page 7, beginning in line 4, strike out all of section 3.

Mr. WOLCOTT. Mr. Chairman, it seems to me there has been ample discussion on the amendments offered by the committee to justify the position which we take that section 3 should be eliminated and existing law allowed to stand as it is.

We have to constantly give consideration to State and local revenues. We have all had letters, perhaps not all of us but many of us have had letters, from the Governors of States, the mayors of cities, boards of supervisors of counties,

urging us to provide the means of continuing the facilities incident to these movements of population from the suburban to the urban centers. As has been pointed out, we have had to help finance a defense-housing program. We are setting aside \$100,000,000 for that purpose. We are called upon to supplement that by helping the States and the municipalities to maintain schools and service departments, such as fire, police, sewer and waterworks, and now we inconsistently take away from them in this bill the revenue by which those facilities and those services are going to operate. If you take the taxing power away from the States and the municipalities, you leave them in a very embarrassing position. It has been said that along with the power to tax goes the power to destroy, and if we exercise the power to deny the States revenue from taxation, proportionately, we destroy sovereign government.

This might seem somewhat farfetched as a statement and, probably, this bill will not be used for that purpose, but we know that we cannot operate our States and municipalities without tax money, and if the Federal Government establishes a competing enterprise of a private nature, that enterprise, especially if it is organized for profit, should pay local taxes into the State, county, and municipal treasuries. Surely, this language can be drawn in such a manner as to protect public corporations which are not competing with private enterprise, but we have included in the exemptions corporations set up under section 5 (d) as amended, and as it will be amended. Let me call attention again to the fact that if this Congress passes the House amendment, then we can set up any corporation for any purpose, private or otherwise, and that private corporation under the terms of section 3 will be exempt from State and municipal taxation of all kinds. It seems to be rather an inconsistent, perhaps an incongruous situation, and I believe that we should be as consistent as possible, or at least try to be. I believe my amendment to strike out section 3 should prevail.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment. If this amendment prevails, the localities will still be permitted to tax the real property. The only thing that will be exempt will be, first, the loans made, and next, the personal property. Under our present tax system, loans are not taxable anyway. I believe if you will investigate the laws of the different States, you will discover that 14 States have made an attempt to tax loans or what is commonly referred to as intangible property, and that all of these 14 States failed in their efforts to tax this intangible property. In exempting the R. F. C. and the agencies organized in pursuance of the law creating the R. F. C., you are not exempting anything that is not already exempt if local individuals or private corporations locally owned should make this loan. So you are not giving away a thing.

The next is personal property, and about the same situation prevails. It occurs to me that since we are amending the law in this particular bill to make

the Public Debt Act apply to the securities that are sold by the R. F. C., and that we will receive taxes in compliance with that Public Debt Act, that that is as far as we should attempt to go in taxing securities or properties created by the R. F. C., and certainly this is going too far to ask that the property that is created by the R. F. C., which the local communities, towns, cities, and States would not have were it not for the creation of the R. F. C. Act to tax loans and personal property that would not be taxed by private corporations, that is going too far, and I hope the amendment is voted down.

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent to proceed for 1 minute, to read an amendment which has been proposed by the gentleman from Michigan [Mr. RABAUT] and which will be offered by him, and which is intended to meet the situation in Michigan. The committee will accept the Rabaut amendment. We have been told—and it seems to be true—that under certain circumstances real estate held under these contracts is treated as personal property in that State. The Rabaut amendment provides that where real estate, buildings, or structures are considered by the law of a State as personal property, they shall not be included in the provisions of this bill which exempts personal property from taxation. The amendment will clarify the situation so far as Michigan is concerned.

Mr. WOLCOTT. But the law in Michigan is no different in that respect from the law of any other State. It is all a question of intent. It does not apply to only Michigan, but it applies to all of the common-law States. It applies to all except the code States.

Mr. STEAGALL. If that is true, it is only an additional reason why the amendment is desirable.

Mr. WOLCOTT. I might say to the gentleman that that improvement is not taxed in Michigan as personal property. That is a wrong statement. That improvement is taxed as part of the realty, unless there is a clear declaration of intention, filed with the taxing officer, that it is the intention of the owner that this particular building be not treated as a part of the realty, and I do not know of any such statement having been filed in any tax office.

Mr. RABAUT. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. RABAUT. I have in my hand the Michigan Statutes, Annotated, under the caption "Property and buildings on public land" and the language applicable to this particular case is as follows.

All buildings situated and being upon the lands of the United States \* \* \* where the owner of such building or personal property is not the owner of the fee in such lands, and where such lessor or owner of such building or property has not bound himself to pay taxes on the real estate, shall be deemed personal property for the purposes of taxation and assessment.

Accordingly I have brought to the attention of the chairman this condition and have prepared the amendment which he has accepted. In the name of the

people of Michigan I desire to thank the distinguished gentleman from Alabama and the members of his committee for their acceptance of the amendment, and I know that the House will approve this proposal.

Mr. WOLCOTT. I may say to the gentleman that that does not change the basic common law at all, because under the decisions of the Supreme Court of Michigan, if a building is built upon land it is presumed to be a part of the realty until the contrary is shown.

[Here the gavel fell.]

The CHAIRMAN. The question recurs on the amendment offered by the gentleman from Michigan [Mr. WOLCOTT].

The question was taken; and on a division (demanded by Mr. WOLCOTT) there were ayes 35 and noes 77.

So the amendment was rejected.

Mr. STEAGALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Committee amendment offered by Mr. STEAGALL: On page 8, line 5, after the word "exemptions", insert: "but such exemptions shall not be construed to be applicable in any State to any buildings or structures which are considered by the laws of such State to be personal property for taxation purposes."

The amendment was agreed to.

The Clerk read as follows:

Sec. 4. (a) The fourth paragraph of section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by renumbering subsections "(2)" and "(3)" thereof as "(3)" and "(4)", respectively.

(b) Such paragraph is further amended by inserting after subsection (1) thereof the following new subsection:

"(2) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government. Such loans may be made only upon the security of bonds, debentures, stocks, or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State;".

(c) Subsection (4) of such paragraph (as herein renumbered) is hereby amended by inserting after the word "organize" where it first appears therein the following: "at any time prior to July 1, 1943," and by inserting before the word "power" where it first appears therein the following: "such powers as they may deem necessary in order to expedite the defense program, including, but not limited to".

Mr. WILLIAMS. Mr. Chairman, I offer two committee amendments, which I send to the desk.

The Clerk read as follows:

Committee amendment offered by Mr. WILLIAMS to section 4: Strike out all of the following beginning with the word "renumbering", in line 8, page 8, down to and including the word "by" in line 10.

Strike out the numbers "1" appearing in line 11, page 8, and "2" appearing in line 12 and insert in lieu thereof the numbers "3" and "4", respectively.

After the word "Government" in line 18, page 8, strike out the period and insert the following: ", for the purpose of achieving the

maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank."

The committee amendments were agreed to.

Mr. WILLIAMS. Mr. Chairman, I offer a further committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. WILLIAMS: Strike out all of line 25, page 3, and all of lines 1 through 6 on page 4 and insert in lieu thereof the following:

"(b) The first sentence of subsection (3) of such fourth paragraph is hereby amended to comprise four sentences to read as follows:"

Mr. WILLIAMS (interrupting the reading of the amendment). Mr. Chairman, I think the pages and lines in that amendment are wrong.

Mr. WOLCOTT. Mr. Chairman, that is an amendment, as I understand it, to subsection (c). I have prepared an amendment to subsection (b). I wonder if the gentleman from Missouri would not withhold this amendment until my amendment to subsection (b) is disposed of.

Mr. WILLIAMS. I do not know what the gentleman's amendment is. I think the reference is wrong. However, it is spelled out in the amendment, and that can be explained later.

Mr. WOLCOTT. I have an amendment in line 22 under "(b)." Will the gentleman withhold his amendment until my perfecting amendment is disposed of?

Mr. WILLIAMS. Mr. Chairman, the amendment which I offered is set out in full. The reference to it by page and line is in error and will now be corrected. The amendment, however, has not been changed.

The CHAIRMAN. The Clerk will report the committee amendment offered by the gentleman from Missouri as it has been corrected.

The Clerk read as follows:

Committee amendment to section 4 offered by Mr. WILLIAMS: Strike out all of line 25, page 8, and all of lines 1 through 6 on page 9, and insert in lieu thereof the following:

"(b) The first sentence of subsection (3) of such fourth paragraph is hereby amended to comprise four sentences to read as follows:

"(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or organize, at any time prior to July 1, 1943, a corporation or corporations, with power (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President; (b) to purchase and lease land, purchase, lease, build, and expand plants, and purchase and produce equipment, facilities, machinery, materials, and supplies for the manufacture of strategic and critical materials, arms, ammunition, and implements of war, any other articles equipment, facilities, and supplies necessary to the national defense, and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith; (c) to lease, sell, or otherwise dispose of such land, plants, facilities, and machinery to others to engage in such manufacture; (d) to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture; (e) to produce, lease, pur-

chase, or otherwise acquire railroad equipment (including rolling stock), and commercial aircraft, and parts, equipment, facilities, and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same; (f) to purchase, lease, build, expand, or otherwise acquire facilities for the training of aviators and to operate or lease, sell, or otherwise dispose of such facilities to others to engage in such training; and (g) to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the aggregate amount of funds of the Reconstruction Finance Corporation which may be outstanding at any one time for carrying out this clause (g) shall not exceed \$100,000,000. The powers of every corporation hereafter created under this subsection shall be set out in a charter which shall be valid only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published. The charters of corporations heretofore created shall be so filed and published before July 1, 1941, and amendments thereto shall be valid only when hereafter so filed and published. No corporation heretofore or hereafter created or organized by the Corporation pursuant to this subsection shall have succession beyond January 22, 1947, except for purposes of liquidation, unless the life of such corporation is extended beyond such date pursuant to an act of Congress."

**Mr. WILLIAMS.** Mr. Chairman, there is not a great deal of new matter in this amendment. Under the law which we passed last year the Reconstruction Finance Corporation was authorized to establish these corporations; but as has already been pointed out this afternoon it was somewhat limited. This simply enumerates those same powers again and in addition creates what might be called a blanket power upon the recommendation of the Federal Loan Administrator with the approval of the President to use \$100,000,000 of the funds herein provided for the purpose of acquiring industries and plants for the manufacture or the production of materials and articles, machinery and equipment necessary for national defense. The amount under that authority is limited to \$100,000,000.

The authority to do all these other things about which there has been so much talk is already in the law. There is nothing new about that. It does, in all frankness, establish the power in the Federal Loan Administrator and the President to use the \$100,000,000 provided for in this act to acquire and produce materials, machinery, and equipment of any kind or character necessary for the national defense. That is all there is in this amendment in addition to existing law.

**Mr. STEAGALL.** Mr. Chairman, will the gentleman yield?

**Mr. WILLIAMS.** I yield.

**Mr. STEAGALL.** Just a word about this amendment. With two exceptions it is the same amendment that was adopted by the Senate, and the exceptions were made in an effort to make the bill more agreeable to some who were not entirely in accord with it. We reduced from \$300,000,000 to \$100,000,000 the amount that might be used under the joint authorization to do certain things.

**Mr. WOLCOTT.** Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I want to correct some misunderstandings in respect to this amendment. In the first place, this \$100,000,000 has very little relationship to the manufacture of arms, munitions, and implements of war. This \$100,000,000, if you read the amendment, is the restriction upon clause (g) and is the only restriction upon clause (g) which authorizes the President to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program. That is the activity the \$100,000,000 refers to, and there is no limitation in this bill upon the amount which can be used for the powers which already exist in law. So the \$100,000,000 limitation applies only to these extra and additional powers which we are giving the President under this bill. I will read the rest of it:

(g) To take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the aggregate amount of the funds of the Reconstruction Finance Corporation which may be outstanding at any one time for carrying out this clause (g) shall not exceed \$100,000,000.

There is also a slight change in this amendment from the Senate amendment.

**Mr. PATMAN.** Mr. Chairman, will the gentleman yield before he goes to this other matter?

**Mr. WOLCOTT.** I am sorry, the gentleman possibly can get some time for himself.

On page 5 of the bill we find the Senate provisions and the limitation upon the use to which these corporations may be put: Page 5, line 16, the language of the Senate bill reads:

*Provided*, That, except to the extent expressly authorized by clause (c) of this subsection, nothing in this subsection shall be construed to authorize the Corporation to take any action, directly or indirectly, with respect to any project, authority for which (by treaty or otherwise), or expenditures for which, have heretofore been considered and rejected by the Congress since January 1, 1926.

The amendment as it was presented to the Committee on Banking and Currency, following the \$100,000,000, read:

*Provided*, That nothing in section 3 shall be construed to authorize the Corporation to take any action directly or indirectly with respect to the proposals heretofore considered by the Congress and known as the Great Lakes-St. Lawrence seaway, Passamaquoddy, Florida ship canal, and Tombigbee River project.

The Committee on Banking and Currency of the House in its discretion struck out the limitations which I have just read, so that now any corporation can be organized for any purpose including the construction of the above-named projects, and the \$100,000,000 can be used for this or any other purpose so long as the President finds it is an incident to the national-defense program.

I should think the Members of Congress would realize their responsibility

sufficiently to want to keep their hands on these public works and determine whether we shall embark upon any of the projects.

Some of these projects have inspired very bitter debate on this floor; yet here with the passing of the hand, with a handful of Members on the floor, we are about to undo all that we have done in years gone by. You do it on your own responsibility. So far as I am concerned, I do not think that anybody can charge that I have said anything in favor of the granting of congressional powers to the Executive. I am glad to be able to stand up before my constituents tomorrow and say that I have done everything I could under my interpretation of my oath to protect the American form of government. [Applause.]

**The CHAIRMAN.** The question is on the committee amendment offered by the gentleman from Missouri [Mr. WILLIAMS].

The question was taken; and on a division (demanded by Mr. WOLCOTT), there were—ayes 88, noes 50.

So the committee amendment was agreed to.

**Mr. WOLCOTT.** Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. WOLCOTT: On page 8, beginning in line 25, strike out subsection (c).

**Mr. WOLCOTT.** Mr. Chairman, if this amendment is agreed to it will strike out the language originally proposed by the House Banking and Currency Committee and also the language that has just been adopted as a perfecting amendment to that language.

Mr. Chairman, I still do not think the Congress wants to delegate such broad and unusual powers to the President. I still do not think, and I cannot believe that Members of this Congress want to delegate to the President and to the Federal Loan Administrator powers broad enough virtually to create a Fascist State in America. I have never made a statement any more sincerely than I do the following: If this amendment is not adopted, and if this bill is passed as it has been amended, it gives to the President the power to create a Fascist state in America. Whether we have confidence or not in the President, whether we have confidence and faith in Jesse Jones, is beside the question. It is a question of our constitutional duty to do nothing to destroy this Republican democracy or to make it possible for any one else to destroy it.

We in voting away our powers, giving the power to the President of the United States to set up a corporation to do anything, to do everything, to do the things which under the Constitution the Congress would otherwise have to pass upon, are not keeping faith with the American people; our action will not be in keeping with the spirit of the American form of government.

I ask you to think about this seriously and not be a party to the possibility of any further criticism that the Congress has abdicated and has run out on the

people, because if you pass this bill with the billions of dollars you have given to the President under the lend-lease bill, with the billion and a half you are going to give him further to play with under this bill, and it is supplemental to the lend-lease bill—bear in mind this billion and a half supplements the \$7,000,000,000 authorized on the lend-lease bill—you have not only delegated the appropriating power to the Chief Executive but you have delegated to the Chief Executive the power to set up a corporation to do everything which he otherwise could not do under the Constitution.

You do it on your responsibility. I will not be a party to it.

Mr. PATMAN. Will the gentleman yield?

Mr. WOLCOTT. No; I am sorry I cannot yield at this time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. WOLCOTT].

The question was taken; and on a division (demanded by Mr. WOLCOTT) there were—ayes 60, noes 83.

So the amendment was rejected.

Mr. WOLCOTT. Mr. Chairman, I offer another amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. WOLCOTT: Page 8, line 22, after the letter (B), strike out the remainder of said section and insert in lieu thereof the following: "any corporation organized under the laws of the United States or any State whose bonds, debentures, stocks, or other such obligations are fully guaranteed as to principal and interest by the Government of the United States."

Mr. WOLCOTT. Mr. Chairman, in certain remarks I made this afternoon I called attention to the fact that we appeared to secure loans made by the Reconstruction Finance Corporation to these foreign governments by providing that these loans may be made only upon the security of bonds, debentures, stocks, and other obligations of the Government of the United States, or of any State, municipality, or political subdivision of any State. Then we do the very inconsistent thing by providing in (B) that these loans may be made to any corporation without such protection.

If it is a private corporation, the Reconstruction Finance Corporation can take the stocks and bonds and debentures of the private corporation organized under the laws of the United States or otherwise, and, of course, they would not be obligations of the Government of the United States or of any State, municipality, or political subdivision of any State. It seems to me that what we intended to do there was to protect the taxpayers of the United States from being put in a position indirectly of financing another European war without their knowing about it. Whether we should finance this European war is beside the issue. The question is, if we want to finance the European war as a matter of policy, we should have courage enough to bring that issue onto the floor and vote it up or down. We should not by subterfuge authorize the Reconstruction Finance Corporation, the President of the United States, or Mr. Jones, to or-

ganize a corporation through which the Reconstruction Finance Corporation could finance partly, at least, this present world war. Why do we say that these loans in one case must be secured by Government, State, or municipal obligations, and in the next case say the loans may be made to any private corporation without that safeguard.

Mr. WILLIAMS. Will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Missouri.

Mr. WILLIAMS. Is it the contention of the gentleman that this provision permits a loan to private corporations?

Mr. WOLCOTT. Certainly.

Mr. WILLIAMS. Where is that language?

Mr. WOLCOTT. You have to read this language in connection with the amendment which was just adopted. In that connection, the Federal Government can set up these corporations and lease them to private individuals. What do you mean here? Why do you have language like this:

Such loans may be made only upon the security of bonds, debentures, stocks, or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State.

It means, of course, that you are granting the authority here to raise the money to create these corporations under this amendment which you have just adopted. If you want to create a corporation here with a capital of \$10,000 and authorize that corporation to expand that capital a hundred times and take that watered stock as security for loans from the Reconstruction Finance Corporation, you are just playing havoc with your own conscience; that is what you are doing. Go ahead and do it. [Applause.]

[Here the gavel fell.]

Mr. WILLIAMS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I believe the gentleman is just as wrong as he possibly can be. This refers to loans, of course, made to foreign governments, and such a loan can be made not to a corporation, it can be made only to a foreign government or its representatives, which may, of course, be in the form of a corporation organized for that purpose.

The security which must be put up to secure such a loan must be American securities, either governmental or private. The corporation to which the gentleman refers, the private corporation which may be organized, puts up its securities, but it is the representative of the English, I will say, Government, or whatever foreign government seeks the loan. It must be organized under the laws of the United States and the securities put up must be American securities, and the loan is made not to any private corporation that comes along, but to the foreign government. That is what this provision is. Of course, that amendment should be voted down.

Mr. STEAGALL. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS. I yield to the gentleman from Alabama.

Mr. STEAGALL. The authority exists in law already, and it has for a long time, that would permit the loan to a private corporation without the enactment of this bill. This simply provides that the security must be that of the government, or its subdivision or agent, or a private corporation in this country.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS. Yes.

Mr. WOLCOTT. Of course, the gentleman knows that he is not correct in stating that the Reconstruction Finance Corporation can loan to the Government of Great Britain or any other belligerent nation today. By this section you are repealing that provision of the Neutrality Act which forbids the Reconstruction Finance Corporation to make loans. You do not have an existing law which authorizes you to make such loans.

Mr. WILLIAMS. Of course, that is true, but the statement of the gentleman from Alabama was that the Reconstruction Finance Corporation now could make a loan to any private corporation on adequate security, which of course, is the law and has been from the very first. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The amendment was rejected.

The Clerk read as follows:

Sec. 5. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased by \$1,500,000,000.

Mr. JOHNS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JOHNS: On page 9, line 11, strike out "\$1,500,000,000" and insert "\$500,000,000."

Mr. JOHNS. Mr. Chairman, the President of the United States has stated that we were to cut down on all items except those for national defense. Here is an opportunity this afternoon to put into practice exactly what the President of the United States has requested be done. The Secretary of the Treasury of the United States, after he had an appropriation for his own Department, himself suggested that we do the same thing.

This \$1,500,000,000 is not for any defense item of any kind at all. There is not a word in this bill that says anything about national defense. The whole subject of the bill, as far as the finances are concerned, is to loan money to foreign governments.

It seems to me that with the amount of money we are owing in this country today and the trouble we are having in selling the obligations of the Government, and in view of the amount of advertising that is necessary today in order to sell these securities, it is about time we cut down \$1,000,000,000 on this bill and use it to prepare for national defense in this country by making more airplanes.

I want to see just how sincere the Members are this afternoon in wanting to cut down the expenses of this Govern-

ment. I have given you an opportunity here to vote to cut them down by \$1,000,000, and not affect the national defense of this country one dollar.

Mr. GORE. Mr. Chairman, will the gentleman yield?

Mr. JOHNS. I yield to the gentleman from Tennessee.

Mr. GORE. Is the gentleman opposed to the Reconstruction Finance Corporation?

Mr. JOHNS. No; I am not opposed to it, but I am opposed to its having \$1,500,000.

Mr. GORE. Does not the gentleman know that his amendment would in effect annihilate the Reconstruction Finance Corporation? Further, does not the gentleman know that the Reconstruction Finance Corporation instead of losing money for the Government has been the money-making agency of the Government?

Mr. JOHNS. I am saying that this Government at the present time has no business going into private lending to anybody. What we need is to prepare our national defense.

Mr. GORE. Can the gentleman give any good reason why this Government, when we are in an emergency, threatened on all sides, should not have the authority to guarantee the production of the instrumentalities of defense, if they cannot be secured through private enterprise?

Mr. JOHNS. There is not a thing in this bill that says anything about anybody building anything for the Government of the United States. This bill says it is to loan money to foreign governments. That is what it says. If we are going to go into the lending business, let us create a lending organization outside of the Reconstruction Finance Corporation and go ahead and guarantee the obligations of all the foreign governments, as we are doing with our own country, in order to get some credit. The private individuals of this country and the banks have about \$6,680,000,000 in reserves to loan to somebody if they had any confidence in anyone who wanted to borrow it.

Mr. DINGELL. Mr. Chairman, will the gentleman yield?

Mr. JOHNS. I yield.

Mr. DINGELL. I just want to make the observation that if the provisions of the bill mean a supply of buckshot for the hides of the Nazis, I am for the bill.

Mr. JOHNS. Yes; that is your idea about this, but there is nothing in the bill that says that.

Mr. DINGELL. I am taking your word for it.

Mr. JOHNS. You are not taking my word for anything—that is your own idea. [Laughter.]

Mr. DINGELL. It is a good one.

Mr. JOHNS. That is your own idea, too. [Laughter.]

Mr. DINGELL. And I will stay with it.

Mr. JOHNS. Now, Mr. Chairman, I am going to see this afternoon how many are going to stand up here in order that we may see whether you are economy minded or not. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. JOHNS].

The question was taken; and on a division (demanded by Mr. JOHNS) there were—ayes 56, noes 94.

Mr. JOHNS. Mr. Chairman, I demand tellers.

Tellers were refused.

So the amendment was rejected.

The CHAIRMAN. The question is on the substitute Committee amendment as amended.

The substitute committee amendment, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. COLE of Maryland, Chairman of the Committee of the Whole House on the state of the Union, reported that the Committee having had under consideration the bill S. 1438, he reported the same back to the House with an amendment adopted in Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on agreeing to the amendment.

The amendment was agreed to.

The amendment is as follows:

Strike out all after the enacting clause and insert: "That the act approved February 11, 1937 (U.S.C. 1934 edition, Supplement V, title 15, sec. 605k-1), as amended, is hereby amended by striking out 'in the years 1936, 1937, 1938, 1939, or 1940' and inserting in lieu thereof 'occurring during the period between January 1, 1936, and January 22, 1947.'

"SEC. 2. Section 1 of the act approved March 31, 1936 (49 Stat. 1186), as amended, is hereby amended by striking out 'June 30, 1941' and inserting in lieu thereof 'January 22, 1947.'

"SEC. 3. (a) The first sentence of section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting before the period at the end thereof the following: 'except as provided in section 4 (a) of the Public Debt Act of 1941.'

"(b) Section 10 of the Reconstruction Finance Corporation Act, as amended, is further amended by adding at the end thereof the following new sentences: 'The exemptions provided for in the preceding sentence with respect to taxation (which shall, for all purposes, be deemed to include sales, use, storage, and purchase taxes) shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation under section 5d of this act, as amended, to aid the Government of the United States in its national-defense program; (2) the RFC Mortgage Company, the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation; (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. Such exemptions shall also be construed to be applicable to the loans made, and personal property owned, by the Reconstruction Finance Corporation or by any corporation referred to in clause (1), (2), or (3) of the preceding sentence, but such exemptions shall not be construed to be applicable in any State to any buildings or structures which are considered by the laws of such State to be personal property for taxation purposes.'

"SEC. 4. (a) The fourth paragraph of section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting after subsection (3) thereof the following new subsection:

"(4) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government, for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank. Such loans may be made only upon the security of bonds, debentures, stocks, or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State.'

"(b) The first sentence of subsection (3) of such fourth paragraph is hereby amended to comprise four sentences to read as follows:

"(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or organize, at any time prior to July 1, 1943, a corporation or corporations, with power (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President; (b) to purchase and lease land, purchase, lease, build, and expand plants, and purchase and produce equipment, facilities, machinery, materials, and supplies for the manufacture of strategic and critical materials, arms, ammunition, and implements of war, any other articles, equipment, facilities, and supplies necessary to the national defense, and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith; (c) to lease, sell, or otherwise dispose of such land, plants, facilities, and machinery to others to engage in such manufacture; (d) to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture; (3) to produce, lease, purchase, or otherwise acquire railroad equipment (including rolling stock), and commercial aircraft, and parts, equipment, facilities, and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same; (f) to purchase, lease, build, expand, or otherwise acquire facilities for the training of aviators and to operate or lease, sell, or otherwise dispose of such facilities to others to engage in such training; and (g) to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the aggregate amount of funds of the Reconstruction Finance Corporation which may be outstanding at any one time for carrying out this clause (g) shall not exceed \$100,000,000. The powers of every corporation hereafter created under this subsection shall be set out in a charter which shall be valid only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published. The charters of corporations heretofore created shall be so filed and published before July 1, 1941, and amendments thereto shall be valid only when hereafter so filed and published. No corporation heretofore or hereafter created or organized by the Corporation pursuant to this subsection shall have succession beyond January 22, 1947,

except for purposes of liquidation, unless the life of such corporation is extended beyond such date pursuant to an act of Congress.'

'Sec. 5. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased by \$1,500,000,000.'

The bill was ordered to be read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. STEAGALL. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 218, nays 116, answered "present" 1, not voting 96, as follows:

[Roll No. 60]

YEAS—218

Allen, La.	Gilchrist	Patman
Anderson, Calif.	Gore	Patrick
Anderson, N. Mex.	Gossett	Patton
Baldwin	Granger	Peterson, Fla.
Barden	Grant, Ala.	Peterson, Ga.
Barncs	Green	Pierce
Barry	Gregory	Plauché
Beam	Haines	Peage
Beckworth	Hare	Priest
Beiter	Harrington	Rabaut
Bell	Harris, Ark.	Ramsay
Eland	Harris, Va.	Ramspeck
Blom	Hart	Randolph
Bochne	Healey	Rankin, Miss.
Boggs	Heffernan	Richards
Bonner	Hobbs	Rivers
Bradley, Pa.	Hook	Robertson, Va.
Brooks	Houston	Robinson, Utah
Brown, Ga.	Hull	Rolph
Bryson	Hunter	Russell
Buck	Imhoff	Sabath
Bucker, Minn.	Jackson	Sacks
Bulwinkle	Luther A.	Sanders
Burch	Johnson, Okla.	Satterfield
Eurgin	Kean	Sauthoff
Eyrne	Kefauver	Scanlon
Camp	Kelley, Pa.	Schaefier, Ill.
Canfield	Kelly, Ill.	Schuchtz
Cannon, Mo.	Kennedy,	Schulte
Capozziol	Martin J.	Scrugham
Casey, Mass.	Kennedy,	Shanley
Chapman	Michael J.	Sheppard
Cochran	Keogh	Sheridan
Coffee, Nebr.	Kerr	Sikes
Coffey, Wash.	Kilday	Smith, Conn.
Cole, Md	Kleberg	Smith, Va.
Collins	Kociaikowski	Smith Wash.
Cooley	Kramer	Snyder
Cooper	Lanham	South
Costello	Lea	Sparkman
Cox	Leavy	Spence
Creal	Lesinski	Starnes, Ala.
D'Alesandro	Lewis	Steagall
Davis, Ohio	Ludlow	Sullivan
Davis, Tenn.	Lynch	Summers, Tex.
Delaney	McArdie	Sutphin
Dewey	McCormack	Tarver
Dickstein	McIntyre	Taylor
Dingell	McKeough	Tenerowicz
Domengeaux	McLaughlin	Terry
Doughton	McMillan	Thom
Doxey	Maciora	Thomas, N. J.
Drewry	Magnuson	Thomas, Tex.
Durham	Mahon	Thomason
Eberhardt	Mansfield	Vincent, Ky.
Edelestein	Merritt	Voorhis, Calif.
Elliot, Mass.	Meyer, Md.	Wadsworth
Elliott, Calif.	Mills, Ark.	Walter
Ellis	Mills, La.	Ward
Englebright	Mitchell	Wasilewski
Fitzgerald	Monrone	Weaver
Fitzpatrick	Moser	Weiss
Flaherty	Murdock	Welch
Flannagan	Myers, Pa.	Wene
Flannery	Nelson	West
Fogarty	Norrell	Whelchel
Forand	Norton	Whittington
Ford, Miss.	O'Brien, Mich.	Williams
Ford, Thomas F.	O'Connor	Wolverton, N. J.
Fulmer	O'Leary	Worley
Gathings	O'Neal	Wright
Gehrmann	Osmers	Young
Gibson	Pace	Zimmerman

### NAYS—116

Allen, Ill.	Gifford	Ploeser
Andersen, H. Carl	Gillie	Plumley
Angell	Graham	Powers
Arends	Guyer, Kans.	Rankin, Mont.
Bates, Mass.	Gwynne	Reece, Tenn.
Baumhart	Hall, Edwin Arthur	Reed, Ill.
Bender	Hall, Leonard W.	Rich
Bishop	Halleck	Robertson,
Blackney	Hancock	N. Dak.
Bolton	Hill, Colo.	Robison, Ky.
Brown, Ohio	Hope	Rodgers, Pa.
Burdick	Howell	Rogers, Mass.
Butler	Jennings	Rutherford
Carlson	Jensen	Shafer, Mich.
Carter	Johns	Short
Case, S. Dak.	Johnson, Calif.	Smith, Maine
Chenoweth	Johnson, Ill.	Smith, Ohio
Chiperfield	Johnson, Ind.	Springer
Clason	Jones	Stearns, N. H.
Clevenger	Jonkman	Stevenson
Cluett	Keefe	Summer, Ill.
Cole, N. Y.	Kilburn	Taber
Copeland	Kinzer	Talle
Crowther	Knutson	Tibbott
Cunningham	Kunkel	Tinkham
Curtis	Lambertson	Van Zandt
Day	Landis	Vorys, Ohio
Ditter	LeCompte	Vreeland
Dondoro	Maas	Wheat
Dworschak	Martin, Mass.	Wiggleworth
Eaton	Mason	Wilson
Elston	Michener	Wolcott
Fellows	Mott	Wolfenden, Pa.
Fenton	Murray	Woodruff, Mich.
Ford, Leland M.	O'Brien, N. Y.	Youngdahl
Gale	Oliver	
Gamble	Paddock	
Gearhart	Pheiffer	
Gerlach	William T.	
	Pittenger	

### ANSWERED "PRESENT"—1

### Stefan

### NOT VOTING—96

Andresen, August H.	Gavagan	Marcantonio
Andrcws	Geyer, Calif.	Martin, Iowa
Bates, Ky.	Grant, Ind.	May
Bates, Ky.	Harness	Mundt
Boland	Harter	Nichols
Bolles	Hartley	O'Day
Boren	Hebert	O'Hara
Boykin	Hedinger	O'Toole
Bradley, Mich.	Hendricks	Pearson
Buckley, N. Y.	Hess	Pfeifer
Buckley, N. Y.	Hill, Wash.	Joseph L.
Cannon, Fla.	Hinshaw	Rizley
Cartwright	Hoffman	Rockefeller
Celler	Holbrook	Rogers, Okla.
Clark	Holmes	Romjue
Claypool	Izac	Scott
Colmer	Jacobsen	Secret
Connery	Jarman	Shannon
Courtney	Jarrett	Simpson
Cravens	Jenkins, Ohio	Smith, Pa.
Crawford	Jenkins, N. H.	Smith, W. Va.
Crosser	Johnson,	Somers, N. Y.
Culkin	Lyndon B.	Stratton
Cullen	Johnson, W. Va.	Sweeney
Dies	Kee	Thill
Dirksen	Kirwan	Tolan
Disney	Kopplemann	Traynor
Douglas	Larrabee	Treadaway
Downs	McGehee	Vinson, Ga.
Duncan	McGranery	White
Edmiston	McGregor	Wickersham
Faddis	McLean	Winter
Fish	Maciejewski	Woodrum, Va.

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Smith of West Virginia for, with Mr. Stefan against.

Mr. Joseph L. Pfeifer for, with Mr. Thill against.

Mr. Claypool for, with Mr. Treadaway against.

Mr. Holbrook for, with Mr. Jenkins of Ohio against.

Mr. Cravens for, with Mr. Hoffman against.

Mr. Izac for, with Mr. Grant of Indiana against.

Mr. Pearson for with Mr. Harness against.

Mr. Kopplemann for, with Mr. Jarrett against.

Mr. Cannon of Florida for, with Mr. Winter against.

Mr. Courtney for, with Mr. Andrews against.

Mr. Hill of Washington for, with Mr. Rockefeller against.

Mr. Colmer for, with Mr. Douglas against.

Mr. Clark for, with Mr. Boiles against.

Mr. Johnson of West Virginia for, with Mr. Hartley against.

Mr. Downs for, with Mr. Simpson against.

Mr. Secrest for, with Mr. Culkin against.

Mr. Smith of Pennsylvania for, with Mr. Hess against.

### General pairs:

Mr. Cullen with Mr. Crawford.

Mr. Arnold with Mr. Heidinger.

Mr. Boland with Mr. Dirksen.

Mr. Cartwright with Mr. McLean.

Mr. May with Mr. O'Hara.

Mr. Woodrum of Virginia with Mr. Stratton.

Mr. Vinson of Georgia with Mr. Fish.

Mr. McGeehee with Mr. Hinshaw.

Mr. Traynor with Mr. August H. Andresen.

Mr. Kirwan with Mr. Martin of Iowa.

Mr. Larrabee with Mr. Holmes.

Mr. Romjue with Mr. Scott.

Mr. Gavanagh with Mr. Mundt.

Mr. Jarman with Mr. Bradley of Michigan.

Mr. Duncan with Mr. Jenks of New Hampshire.

Mr. Nichols with Mr. Rizley.

Mr. Hendricks with Mr. Marcantonio.

Mr. Harter with Mr. O'Toole.

Mr. Sweeney with Mr. Dies.

Mr. McGranery with Mr. Tolan.

Mr. Wickershaw with Mr. Cellier.

Mr. Kee with Mr. Boren.

Mr. Bates of Kentucky with Mr. Jacobsen.

Mr. Somers of New York with Mr. Edmiston.

Mr. Hébert with Mr. Faddis.

Mr. Boykin with Mr. Connelly.

Mr. Shannon with Mrs. O'Day.

Mr. Buckley of New York with Mr. Crosser.

Mr. Lyndon B. Johnson with Mr. Geyer of California.

Mr. STEFAN. Mr. Speaker, I have a pair with the gentleman from West Virginia, Mr. SMITH. I therefore withdraw my vote of "no" and answer "present."

The result of the vote was announced as above recorded.

A motion to reconsider the vote by which the bill was passed was laid on the table.

The bill H. R. 4674 was laid on the table.

### RESOLUTION OF VIRGINIA DELEGATION

Mr. BLAND. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is that agreeable to the gentleman from Vermont?

Mr. PLUMLEY. It is.

The SPEAKER. The Chair recognizes the gentleman from Virginia [Mr. BLAND] for 1 minute.

Mr. BLAND. Mr. Speaker, I shall take pleasure in reading the following resolution adopted unanimously by the Virginia delegation of the House of Representatives:

Whereas the President of the United States last night made an address to the people of the Nation in which he asked for the united and cooperative efforts of all citizens to aid and assist him in protecting our country in the great emergency confronting us;

Now, therefore, we the Members of the House of Representatives from the State of Virginia, do hereby respond to the appeal of the Chief Executive by endorsing his clear and resounding call to the patriotic people



22



## RECONSTRUCTION FINANCE CORPORATION AUTHORITY

JUNE 3, 1941.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.



Mr. STEAGALL, from the committee of conference submitted the following

### CONFERENCE REPORT

[To accompany S. 1438]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1438) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

*That the Act approved February 11, 1937 (U. S. C., 1934 edition, Supplement V, title 15, section 605k-1), as amended, is hereby amended by striking out "in the years 1936, 1937, 1938, 1939, or 1940" and inserting in lieu thereof "occurring during the period between January 1, 1936, and January 22, 1947".*

*SEC. 2. Section 1 of the Act approved March 31, 1936 (49 Stat. 1186), as amended, is hereby amended by striking out "June 30, 1941" and inserting in lieu thereof "January 22, 1947".*

*SEC. 3. (a) The first sentence of section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting before the period at the end thereof the following: ", except as provided in section 4 (a) of the Public Debt Act of 1941".*

*(b) Section 10 of the Reconstruction Finance Corporation Act, as amended, is further amended by adding at the end thereof the following new sentences: "The exemptions provided for in the preceding sentence with respect to taxation (which shall, for all purposes, be deemed to include*

*sales, use, storage, and purchase taxes) shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation under section 5d of this Act, as amended, to aid the Government of the United States in its national-defense program, (2) The RFC Mortgage Company, the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, and (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. Such exemptions shall also be construed to be applicable to the loans made, and personal property owned, by the Reconstruction Finance Corporation or by any corporation referred to in clause (1), (2) or (3) of the preceding sentence, but such exemptions shall not be construed to be applicable in any State to any buildings which are considered by the laws of such State to be personal property for taxation purposes."*

*Sec. 4. (a) The fourth paragraph of section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting after subsection (3) thereof the following new subsection:*

*"(4) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government, for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank. Such loans may be made only upon the security of bonds, debentures, stocks or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State."*

*(b) The first sentence of subsection (3) of such fourth paragraph is hereby amended to comprise four sentences to read as follows:*

*"(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or organize, at any time prior to July 1, 1943, a corporation or corporations, with power (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President; (b) to purchase and lease land, purchase, lease, build, and expand plants, and purchase and produce equipment, facilities, machinery, materials, and supplies for the manufacture of strategic and critical materials, arms, ammunition, and implements of war, any other articles, equipment, facilities, and supplies necessary to the national defense, and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith; (c) to lease, sell, or otherwise dispose of such land, plants, facilities, and machinery to others to engage in such manufacture; (d) to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture; (e) to produce, lease, purchase,*

or otherwise acquire railroad equipment (including rolling stock), and commercial aircraft, and parts, equipment, facilities, and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same; (f) to purchase, lease, build, expand, or otherwise acquire facilities for the training of aviators and to operate or lease, sell, or otherwise dispose of such facilities to others to engage in such training; and (g) to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the aggregate amount of the funds of the Reconstruction Finance Corporation which may be outstanding at any one time for carrying out this clause (g) shall not exceed \$200,000,000: Provided, That nothing in this subsection shall be construed to authorize the Corporation to take any action, directly or indirectly, with respect to the proposals heretofore considered by the Congress and known as the Great Lakes-St. Lawrence seaway, Passamaquoddy, Florida ship canal, and Tombigbee River projects, or to the project known as the Nicaragua Canal. The powers of every corporation hereafter created or organized under this subsection shall be set out in a charter which shall be valid only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published. The charters of corporations heretofore so created or organized shall be so filed and published before July 1, 1941, and amendments thereto shall be valid only when certified copies thereof are hereafter so filed and published. No corporation heretofore or hereafter created or organized by the Corporation pursuant to this subsection shall have succession beyond January 22, 1947, except for purposes of liquidation, unless the life of such corporation is extended beyond such date pursuant to an Act of Congress."

SEC. 5. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased by \$1,500,000,000.

And the House agree to the same.

HENRY B. STEAGALL,  
CLYDE WILLIAMS,  
BRENT SPENCE,  
JESSE P. WOLCOTT,  
FRED L. CRAWFORD,  
*Managers on the part of the House.*

CARTER GLASS,  
PRENTISS M. BROWN,  
ROBERT A. TAFT,  
*Members on the part of the Senate.*

## STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1438) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate bill and the House amendment were substantially the same except in the following respects:

(1) The House amendment contained a provision that the exemptions from taxation applicable to personal property of the Reconstruction Finance Corporation, or of any corporation created or organized by it, should not apply in any State to buildings or structures which by the laws of such State were considered as personal property for taxation purposes. There was no corresponding provision in the Senate bill. The conference agreement retains the House provision except that it is limited to "buildings" instead of "buildings or structures".

(2) Under the Senate bill and the House amendment certain powers of the Reconstruction Finance Corporation in connection with the national-defense program were enumerated. This was followed by a general clause authorizing the Corporation to take such other action as the President and the Federal Loan Administrator might deem necessary to expedite such program. In the Senate bill there was a limitation of \$300,000,000 on the amount that might be outstanding at any one time for carrying out this general clause, and there was also a specific provision prohibiting the Corporation from taking any action, directly or indirectly, with respect to any project which the Congress had considered and rejected since January 1, 1926. The House amendment eliminated this specific provision, but reduced the amount from \$300,000,000 to \$100,000,000 for carrying out such general clause. The conference agreement fixes the amount at \$200,000,000 and adds a proviso which would prohibit the Corporation from taking any action, directly or indirectly, with respect to the Great Lakes-St. Lawrence seaway, Passamaquoddy, Florida Ship Canal, and Tombigbee River projects, or to the project known as the Nicaragua Canal.

The conference agreement makes certain clarifying amendments in the provisions relating to the filing of charters of the corporations created or organized by the Reconstruction Finance Corporation.

HENRY B. STEAGALL,  
CLYDE WILLIAMS,  
BRENT SPENCE,  
JESSE P. WOLCOTT,  
FRED L. CRAWFORD,  
*Managers on the part of the House.*







*Threatened strikes and controversies—Continued*

Company	Contracts	Issues	Union	Number affected	Status
<b>OTHER SERIOUS THREATS—continued</b>					
E. W. Bliss Co., Brooklyn, N. Y.	Ordnance (presses and ammunition machinery).	Wages.....	United Electrical, Radio and Machine Workers of America (Congress of Industrial Organizations).	1,200	Conference held May 20. Commissioner on case.
Busch Sulzer Diesel Engineering Co., St. Louis, Mo.	Ordnance and Navy.....	Jurisdictional dispute over installation of machinery in new plant being constructed.	Machinists and Millwrights (American Federation of Labor).	75	Plant almost complete; suggestion made to have machinists install the machinery and if the building trades step in certify the case to the National Defense Mediation Board; the Board had refused to take the case on May 3, 1941, on ground that the case was between two unions and not employer vs. employees.
Caterpillar Tractor Co., Peoria, Ill.	Ordnance (tractors).....	Wages.....	Farm Equipment Workers' Organizing Committee (Congress of Industrial Organizations).	13,500	Union requested commissioner May 20; possibility strike may be avoided at Government's request.
Hercules Powder Co., Radford, Va.	Construction of explosives plant.....	do.....	International Brotherhood of Electrical Workers (American Federation of Labor).	150	Construction quartermaster to confer with officials in charge; Commissioner to attend conference May 20, 1941.
McQuay-Norris Manufacturing Co., Indianapolis, Ind.; St. Louis, Mo., and Connerville, Ind.	Air Corps (engine compressor rings)	do.....	United Automobile Workers (Congress of Industrial Organizations).	1,200	Connerville plant threatens to strike if wage negotiations are not reopened; the other two plants had agreed to company proposal but had not signed. Commissioner on the case.
Western Cartridge, St. Louis, Mo.	Supplies cartridges to Frankford Arsenal.	Wages and union recognition.	Chemical Workers (American Federation of Labor).	400	National Labor Relations Board election to be held around the 24th of May to determine the bargaining agent.
J. H. Williams Co., Buffalo, N. Y.	Ordnance and Signal Corps (drop forgings and tools).	Wages and union shop....	Steel Workers Organizing Committee (Congress of Industrial Organizations).	2,000	Struck for 1 day May 15; returned to work and began negotiations. Commissioner requested May 19, 1941, as no progress was being made.
<b>LABOR DISPUTES WHERE STOPPAGE DOES NOT APPEAR IMMINENT</b>					
Alden Rubber Co., Philadelphia, Pa.	Quartermaster Corps (raincoats) ..	Wages.....	United Rubber Workers (Congress of Industrial Organizations).	160	Struck May 8 and returned May 9 with expectation of starting negotiations immediately; Commissioner assigned May 17 when negotiations were delayed.
Appalachian Mills, Knoxville, Tenn.	Quartermaster Corps (undershirts and other clothing).	Closed shop.....	International Ladies Garment Workers Union (American Federation of Labor).	2,000	Struck Apr. 15 to 21; continued to discuss controversial issues; commissioner on the case and tentative agreement reached on all points at issue. Conference for May 20.
Boeing Aircraft Corporation, Seattle, Wash.	Air Corps (aircraft).....	Jurisdiction.....	American Federation of Labor (several factions involved).	8,000	Reorganization going on within the American Federation of Labor local; negotiations to start on wages, etc.; Congress of Industrial Organizations still continuing efforts to secure application cards.
Carnegie-Illinois Steel Corporation, Farrell, Pa.	Ordnance (armor plate for tanks) ..	Unascertained.....	Congress of Industrial Organizations.	1,800	Controversy since the 13th of May; company charges the union is coercing the employees into membership.
Consolidated Aircraft Corporation, San Diego, Calif.	Air Corps, Navy, England, Netherlands, and Canada (aircraft).	Grievances.....	Machinists (American Federation of Labor).	(?)	Commissioner Malcolm on the case; new proposal submitted by union to be discussed at meeting May 21, 1941.
Curtiss-Wright Aircraft Co., Pittsburgh, Pa.	Air Corps (aircraft).....	Closed shop and new contract.	Steel Workers Organizing Committee (Congress of Industrial Organizations).	800	Meeting scheduled for May 17, no progress made at prior meetings.
Dow Chemical Co., Bay City, Mich.	Fabricates magnesium steel castings for airplane production.	Union recognition.....	United Automobile Workers (Congress of Industrial Organizations) and independent.	1,000	National Labor Relations Board is investigating representation question; company has agreed to disestablish the independent at this plant.
Electro Metallurgical Co., Alloy, W. Va.	Supplies steel companies with ferromanganese.	Bargaining agent.....	Mine Workers (Congress of Industrial Organizations) and American Federation of Labor.	1,000	National Labor Relations Board certified Congress of Industrial Organizations; American Federation of Labor contesting it; facility has been negotiating with Congress of Industrial Organizations since election; trouble is expected.
Gager Lime Manufacturing Co., Sherwood, Tenn.	Supplies lime to large number of defense contractors.	New contract.....	Cement, Lime, and Gypsum Workers (American Federation of Labor).	185	Negotiations continuing with progress reported; last meeting, May 19, 1941.
Gardiner & Warring, Inc., Florence, Ala.	Quartermaster Corps (underwear) ..	Wages.....	International Ladies Garment Workers (American Federation of Labor).	(?)	Commissioner Finch on the case; last meeting, May 21, 1941.
Hercules Powder Co., Pulkaski, Va.	Construction of explosives plant ..	do.....	Bridge and Structural Workers (American Federation of Labor).	60	Increase was granted for the structural workers on May 16; details being checked.
Isolantite, Inc., Kearny, N. J.	Signal Corps (material having A-1 priority).	do.....	American Federation of Labor.	470	Company rejected union proposal but agreed to continue negotiations May 20, 1941.
Jackes-Evans, St. Louis, Mo.	Ordnance (machine gun belt links) ..	Wages and closed shop.....	do.....	250	Company opposed to closed shop; strike vote taken May 14; no date set.
Scullin Steel Co., St. Louis, Mo.	Ordnance and British (bombs) ..	Union recognition.....	Steel Workers Organizing Committee (Congress of Industrial Organizations).	2,000	Conferences May 20, Commissioner Hill attending. Strike vote not yet taken.

*Threatened strikes and controversies in which little or no change has been reported since prior progress report*

American Aluminum Co., Los Angeles, Calif.: Basic metal.

Auto Specialties Manufacturing Co., St. Joseph, Mich.: Ordnance—shells.

Eastern Malleable Iron Castings Co., Wilmington, Del.: Ordnance, Quartermaster

Corps, Chemical Warfare Service, yokes for mortars.

French & Heet, Springfield, Ohio: Air Corps, runway marker assemblies.

Fuld & Hatch Knitting Co., Cohoes, N. Y.: Quartermaster Corps, undershirts and drawers. G. M. Manufacturing Co., Long Island City, N. Y.: Ordnance, tubes for fuses.

Hamilton Standard Propeller, East Hartford, Conn.: Air Corps, propellers.

National Zinc Co., Bartlesville, Okla.: Basic metal.

Norton Laboratories & Manufacturing Co., Lockport, N. Y.: Signal Corps, Quartermaster Corps, suppressor casings and telegraph keys.

Parke, Davis & Co., Detroit, Mich.: Medical Corps contracts, vaccines, serums.

St. Louis Steel Fabricating Cos., Missouri: Ordnance, gun mounts.

Standard Knitting Mills, Knoxville, Tenn.: Quartermaster Corps, under-wear. | White Sewing Machine Co., Cleveland, Ohio: Ordnance, fuse boxes and m51 sets. | Wolverine Tube Co., Detroit, Mich.: Ordnance and Air Corps, subcontractors.

## Settled cases

Company	Contracts	Issues	Union	Number affected	Data on settlement
American Type Foundry, Elizabeth, N. J.	Ordnance (howitzers)	Wages, closed shop	American Federation of Labor	(?)	May 20, 1941, union and company negotiated new labor contract, effective May 19, 1941, expires May 31, 1942. (Controversy.)
Allen D. Cardwell Manufacturing Corporation, Brooklyn, N. Y.	Signal Corps (radio parts)	Union recognition, wages	Y. E. R. N. W. A. (Congress of Industrial Organizations)	40	Strike settled May 19, 1941. Men are back to work.
Cincinnati Gas & Electric Co., Cincinnati, Ohio.	Power	Union recognition, grievances	United Mine Workers (Congress of Industrial Organizations)	725	Threatened strike: Case settled May 16, 1941.
Colt's Patent Firearms Hartford, Conn.	Ordnance (machine guns)	Wages	American Federation of Labor, Congress of Industrial Organizations, and independent	4,800	Strike: May 20, 1941; case settled.
Detroit Building Trades, Detroit, Mich.	Ordnance (construction)	Wages, recognition, closed shop	Building Trades and Teamsters (American Federation of Labor)	30,000	Strike: May 19, 1941; case closed.
Ex-Cell-O Corporation, Detroit, Mich.	Ordnance, air (engines and machine tools)	Contract changes, union shop wages	United Automobile Workers (Congress of Industrial Organizations)	3,500	Settled strike: May 17, 1941 (National Defense Mediation Board).
General Motors Corporation, Detroit, Mich.	Ordnance, air, Quartermaster Corps and Supply Corps (anti-aircraft)	Closed shop, wages, new agreement	do	175,000	May 17, 1941 threatened strike: Case closed.
Gibbs Knitting Co., Philadelphia, Pa.	Quartermaster Corps (underwear)	Wages	Textile (Congress of Industrial Organizations), workers	375	Strike: Men returned to work May 20, 1941.
Moench Tanning Co., Tonawanda, N. Y.	Quartermaster Corps (leather)	(?)	Congress of Industrial Organizations	300	Case settled May 15, 1941 (strike).
Murray Corporation, Detroit Mich.	Quartermaster Corps air (airplane parts)	Union shop recognition	United Automobile Workers (Congress of Industrial Organizations)	7,000	Threatened strike: May 19, 1941; strike temporarily averted, contract not yet signed.
New Haven Foundry Co., New Haven, Mich.	Quartermaster Corps (cylinder blocks)	Wages, vacations	do	475	Strike: Settlement last night reported, May 15, 1941.
Parker Appliance Co., Cleveland, Ohio.	Air Corps (valves)	Wages	Machinists (American Federation of Labor)	1,200	Threatened strike: May 12, 1941; union accepted wage increase; union shop and paid vacations granted.
Rivoli Shirt Co., Bridgeport, Conn.	Quartermaster Corps (shirts)	(?)	Amalgamated Clothing Workers (Congress of Industrial Organizations)	65	Strike: Report of May 16, 1941, says case settled as of May 12.
Smoot Sand & Gravel Co., Washington, D. C.	Construction	Wages	American Federation of Labor	380	Strike: May 16, 1941, settled.
Superior Duck Clothing Co., New York City.	Quartermaster Corps (mosquito bars)	(?)	Amalgamated Clothing Workers (Congress of Industrial Organizations)	(?)	Strike: Men returned to work May 14, 1941.
Thew Shovel Co., Lorain, Ohio.	Ordnance (cranes)	Wages	Steel Workers Organizing Committee (Congress of Industrial Organizations)	650	Strike: Men returned to work May 16, 1941.
Triton Chemical Co., Glen Wilton, Va.	Ordnance (TNT)	(?)	Construction workers (unorganized)	250	Strike: May 16, 1941, case settled.
United States Reduction Co., East Chicago, Ill.	Ordnance (aluminum and brass)	Wages	United Mine Workers (Congress of Industrial Organizations)	200	Stoppage: Settlement; men returned to work May 19, 1941.
Utica & Mohawk Cotton Mills, Utica, N. Y.	Quartermaster Corps (sheets and pillowcases)	Union recognition, wages	Textile (Congress of Industrial Organizations)	2,000	Strike: May 17, 1941, case closed.
Woods, S. A., Machine Co., Boston Mass.	Ordnance (shells)	Union shop, new contract	U. E. R. M. W. A. (Congress of Industrial Organizations)	1,193	Threatened strike: May 16, 1941; wage increase granted; check-off; no trouble anticipated.

## DISASTER LOAN CORPORATION, ELECTRIC HOME AND FARM AUTHORITY, AND RECONSTRUCTION FINANCE CORPORATION—CONFERENCE REPORT

Mr. BROWN submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1438) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

"That the act approved February 11, 1937 (U. S. C., 1934 ed., Supp. V, title 15, sec. 605k-1), as amended, is hereby amended by striking out 'in the years 1936, 1937, 1938, 1939, or 1940' and inserting in lieu thereof 'occurring during the period between January 1, 1936, and January 22, 1947.'

"SEC. 2. Section 1 of the act approved March 31, 1936 (49 Stat. 1186), as amended, is hereby amended by striking out 'June 30, 1941' and inserting in lieu thereof 'January 22, 1947.'

"SEC. 3. (a) The first sentence of section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting before the period at the end thereof the following: ', except as provided in section 4 (a) of the Public Debt Act of 1941.'

"(b) Section 10 of the Reconstruction Finance Corporation Act, as amended, is further amended by adding at the end thereof the following new sentences: 'The exemptions provided for in the preceding sentence with respect to taxation (which shall, for all purposes, be deemed to include sales, use, storage, and purchase taxes) shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation under section 5d of this act, as amended, to aid the Government of the United States in its national-defense program, (2) The R. F. C. Mortgage Co., the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, and (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. Such exemptions shall also be construed to be applicable to the loans made, and personal prop-

erty owned, by the Reconstruction Finance Corporation or by any corporation referred to in clause (1), (2), or (3) of the preceding sentence, but such exemptions shall not be construed to be applicable in any State to any buildings which are considered by the laws of such State to be personal property for taxation purposes.

"SEC. 4. (a) The fourth paragraph of section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting after subsection (3) thereof the following new subsection:

"(4) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government, for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank. Such loans may be made only upon the security of bonds, debentures, stocks or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State.'

"(b) The first sentence of subsection (3) of such fourth paragraph is hereby amended to comprise four sentences to read as follows:

"(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or organize, at any time prior to July 1, 1943, a corporation or corporations, with power (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President; (b) to purchase and lease land, purchase, lease, build, and expand plants, and purchase and produce equipment, facilities, machinery, materials, and supplies for the manufacture of strategic and critical materials, arms, ammunition, and implements of war, any other articles, equipment, facilities, and supplies necessary to the national defense, and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith; (c) to lease, sell, or otherwise dispose of such land, plants, facilities, and machinery to others to engage in such manufacture; (d) to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture; (e) to produce, lease, purchase, or otherwise acquire railroad equipment (including rolling stock), and commercial aircraft, and parts, equipment, facilities, and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same; (f) to purchase, lease, build, expand, or otherwise acquire facilities for the training of aviators and to operate or lease, sell, or otherwise dispose of such facilities to others to engage in such training; and (g) to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the aggregate amount of the funds of the Reconstruction Finance Corporation which may be outstanding at any one time for carrying out this clause (g) shall not exceed \$200,000,000: *Provided*, That nothing in this subsection shall be construed to authorize the Corporation to take any action, directly or indirectly, with respect to the proposals heretofore considered by the Congress and known as the Great Lakes-St. Lawrence seaway, Passamaquoddy, Florida ship canal, and Tombigbee River projects, or to the project known as the Nicaragua Canal. The powers of every corporation hereafter created or organized under this subsection shall be set out in a charter which shall be valid only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published. The charters of corporations heretofore so created or organized shall be so filed and published before July 1, 1941, and amendments thereto shall be valid only when certified copies thereof are hereafter so filed and published. No corporation heretofore or hereafter created or organized by the Corporation pursuant to this subsection shall have succession beyond January 22, 1947, except for purposes of liquidation, unless the life of such corporation is extended beyond such date pursuant to an act of Congress."

"Sec. 5. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased by \$1,500,000,000."

And the House agree to the same.

CARTER GLASS,  
PRENTISS M. BROWN,  
ROBERT A. TAFT,

Managers on the part of the Senate.

HENRY B. STEAGALL,  
CLYDE WILLIAMS,  
BRENT SPENCE,  
JESSE P. WOLCOTT,  
FRED L. CRAWFORD,

Managers on the part of the House.

Mr. BROWN. Mr. President, only one change of general interest was made in regard to this bill by the conferees.

It will be recalled that there was considerable discussion over the possible power that might exist under the bill on the part of the Reconstruction Finance Corporation to bypass Congress and embark on the construction of large projects such as the St. Lawrence Waterway, the Florida ship canal, the Passamaquoddy power project, the Tombigbee River project, and the Nicaraguan Canal. The Senate tried to cover that situation by providing that no project which had been considered and rejected by the Congress since 1926 should be undertaken under the powers contained in the bill. We also placed a limitation of \$300,000,000 on the amount that could be expended under this provision.

The House changed that provision by making the limit \$100,000,000 instead of \$300,000,000, but striking out all reference to projects that had been heretofore rejected by the Congress.

In conference we provided that the limitation should be reduced from \$300,000,000, as fixed by the Senate, and increased from \$100,000,000, as fixed by the House, to \$200,000,000. But we specifically spelled out the five projects which have caused the most discussion, namely, the St. Lawrence Waterway, Passamaquoddy, Florida ship canal, Nicaraguan Canal, and the Tombigbee River, and provided that none of those projects should be undertaken under this act.

The inclusion of those provisions in the exception is not to be considered as any determination on the part of the committee, the conferees, or the Senate that we are either for or against these projects. We merely wanted to provide that they could not be undertaken without first applying to the Congress under the rather extraordinary power which is contained in this subdivision of the bill.

There were no other material changes. Some minor matters were cleared up and a provision relating to a local tax situation in Michigan in the House amendment was accepted.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. BROWN. I yield.

Mr. O'MAHONEY. There was some discussion on the floor of the Senate, at the time the bill passed, in which it was pointed out that the bill as reported by the Committee on Banking and Currency gave to the R. F. C. the power to create corporations which would have a life beyond that of the R. F. C. itself, and that such corporations, created under the authority of this measure, would be empowered to operate after the life of the R. F. C. had terminated. Has anything been done about that?

Mr. BROWN. Before the bill left the Senate, after hearing the argument of the able Senator from Wyoming [Mr. O'MAHONEY] and the argument made by the able Senator from Connecticut [Mr. DANAHER] and the argument presented by the distinguished Senator from Ohio [Mr. TAFT], I agreed, on behalf of the committee, to accept an amendment which reads as follows:

No corporation heretofore or hereafter created or organized by the Corporation—

That is, the R. F. C.—pursuant to this subsection, shall have any succession beyond January 22, 1947, except for the purpose of liquidation.

I think that fully covers the point which the Senator from Wyoming so ably presented.

Mr. O'MAHONEY. It does cover that point. Of course, there are other features in the bill which are worthy of very close consideration and which might be made the subject of argument. I feel that the action of the conferees in including this limitation goes far to eliminate these various aspects, because it demonstrates an intention to grant these powers for the purposes of the present emergency, the existence of which we all recognize.

Mr. BROWN. To recapitulate, there are the three limitations: First, it must be for national defense; second, it may not be any of these enumerated projects; third, it may not be done after January 1, 1947.

Mr. O'MAHONEY. In other words, with this limitation excluding certain specific projects, we now have this situation, that whenever the R. F. C. determines that any particular project, except these, is desirable for purposes of national defense, it may create a corporation to carry out such a project?

Mr. BROWN. So far as that side of the controversy is concerned, it is limited to 1943, not to 1947, and, of course, it is limited to \$200,000,000, which is a comparatively small sum, in contemplation of Government finance.

Mr. O'MAHONEY. I thank the Senator.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the conference report.

The conference report was agreed to.

#### ~~PLANT PROTECTION FORCE FOR NAVAL SHORE ESTABLISHMENTS~~

Mr. WALSH. Mr. President, from the Committee on Naval Affairs I have already reported favorably sundry bills for the calendar.

From the Committee on Naval Affairs I now report back, with amendments, the bill (H. R. 4671) to authorize a plant-protection force for naval shore establishments, and for other purposes, and I submit a report (No. 385) thereon. As it is of an emergency nature, I desire to ask unanimous consent that it be read, and then I shall ask unanimous consent for its immediate consideration. It is a short bill.

The ACTING PRESIDENT pro tempore. The Senator from Massachusetts asks unanimous consent for the present consideration of a bill, which the clerk will read.

Mr. McNARY. Mr. President, I think a statement should be made concerning the bill before consent is given. I have great confidence in the able Senator from Massachusetts, but, inasmuch as the bill is not on the calendar, I should prefer to have a statement before granting consent.

The ACTING PRESIDENT pro tempore. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H. R. 4671) to authorize a plant-protection force for naval shore establishments, and for other purposes.

Mr. WALSH. Mr. President, as I stated a moment ago, I have reported for the calendar sundry bills from the Committee on Naval Affairs, which do not require immediate action, in my opinion, except one. The bill to which I am now calling attention is of a special emergency character, so much so that the Secretary of the Navy appeared before the Committee on Naval Affairs yesterday, and not only favored the bill but asked for early action. It has already passed the House. The bill authorizes the creation of a plant-protection force for naval shore establishments.

The Navy is responsible for all its civil employees, of which it has an exceedingly large number. Prior to the emergency, the number was over 100,000. I assume there must be now in the various naval establishments almost double that number of civilian employees.

The bill would permit the Secretary of the Navy to establish a force of detectives, or officers who would serve and perform duties similar to those performed by the F. B. I., but they would be assigned solely to naval shore establishments for the purpose of detecting sabotage. Very briefly, that is the purpose of the bill.

The Secretary of the Navy thought it was so important that he wanted it discussed in executive session. I suppose he did not want the public to know to what extent sabotage existed or was suspected to exist in the shore establishments.

It is proposed that these officers of the law be placed in the various plants in order to be able to discover and ascertain when and where sabotage is being planned or where there is threat of sabotage among the civilian employees. The only persons who are now in a position to do this work are the Marines of the Navy, who perform guard duty at these establishments, and they are not trained for this unusual and rather skillful work. There is a group of civilian employees called guards who stand at the gates, and who direct people, but who are not especially trained for this kind of work.

When the bill passed the House, it provided for an appropriation of \$3,000,000, and one of the amendments of the Committee on Naval Affairs recommends that that be reduced to \$1,500,000. The other amendment is one providing that the selections shall be by the civil service, and under the Classification Act, as amended, "or otherwise, as he may elect," referring to the Secretary of the Navy. The Secretary of the Navy thinks that in most instances he can get from the civil service the employees desired, but he thinks that in some instances it will be necessary to go outside the civil service.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. CONNALLY. Are they to have a naval or military status?

Mr. WALSH. No.

Mr. CONNALLY. They are to be civilians?

Mr. WALSH. Yes; without uniforms.

Mr. CONNALLY. They are to be guards?

Mr. WALSH. Detectives; just the same as those in Mr. Hoover's organiza-

tion, but to operate in the naval shore establishments.

Mr. CONNALLY. The guards and others around these plants should have a naval or military status; they should not be civilians. They should be persons who could be disciplined or controlled. These are to be detectives; plain-clothes men, in other words?

Mr. WALSH. The Senator has expressed a view which many hold.

Many believe there ought to be no one allowed to have authority inside a naval establishment who is not an officer or enlisted man of the Navy.

Mr. CONNALLY. The Senator is correct.

Mr. WALSH. I have felt that the Marines should do most of the guard work.

Mr. CONNALLY. It would not require the use of any more men if those employed in such duty were given a naval or Marine status.

Mr. WALSH. That is disputed very much by some of the naval officers and particularly by the Commandant of Marines. The Marines, he states, are soldiers, and the Commandant of Marines does not want them to do guard duty.

Mr. CONNALLY. They could have a different classification, if necessary. They could be called something else. They could be given a new classification, but they ought to be under military control and under military discipline. Suppose the civilians employed in this duty wanted to strike. They could go out on strike.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. DANAHER. Will the Senator tell us whether or not the bill defines the term "sabotage"?

Mr. WALSH. It does not.

Mr. DANAHER. Will the Senator tell us what these intelligence officers, whom he has described as detectives, will look for?

Mr. WALSH. I suppose they will find out who, in the employ of the Government, are concocting plans or schemes to destroy Government property, set fire to Government property, steal Government property, or in any way interfere with the processes of production in our naval plants.

Mr. DANAHER. Mr. President, down to the last sentence of the Senator's answer I followed him, and understood him, and agreed with him, but when he said "or will in any way interfere with the processes in the Government plants," I wonder if he meant the term to be as broad as that alternative clause would imply.

Mr. WALSH. Well, if a wrench is thrown into a valuable and expensive machine, the machine would be sabotaged. The word "sabotage" is not a new word. It is used in various acts.

Mr. DANAHER. The Senator is using it, as he explains the bill itself, to apply to willful and destructive acts which will deleteriously affect production. Is that not a fair way to describe it?

Mr. WALSH. Yes; but these employees or officers will only be informants to

the Navy Department if civilian employees are indulging or engaging in what the Senator is describing.

Mr. DANAHER. The Senator from Massachusetts does not tell the Senate that these detectives are to be engaged in spying upon their fellow employees and reporting their activities, whether they be in the nature of formation of labor unions and the like?

Mr. WALSH. These F. B. I. men in the Navy, if I may use that term, are to do exactly what the F. B. I. men do outside the Navy in detecting and discovering attempts to commit sabotage.

Mr. DANAHER. Does the term "sabotage," to the extent of their surveillance, apply to industries operating upon and under Navy contracts?

Mr. WALSH. It does not. That has been taken care of by the F. B. I., and they are now performing that duty.

Mr. DANAHER. I thank the Senator. Mr. JOHNSON of California rose.

The ACTING PRESIDENT pro tempore. Does the Senator from Massachusetts yield to the Senator from California?

Mr. WALSH. I yield gladly.

Mr. JOHNSON of California. I want the floor in my own right when the Senator from Massachusetts shall have concluded his remarks.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. WALSH. Yes.

Mr. JOHNSON of Colorado. The Senator spoke of the F. B. I. Will the Navy obtain these men from the F. B. I.? Will they be F. B. I. detectives?

Mr. WALSH. No, sir.

Mr. JOHNSON of Colorado. Should they not be?

Mr. WALSH. The officer the Secretary of the Navy has in mind for the head of this bureau or organization is, I understand, an officer now in the F. B. I. He will expect to and seek to obtain men for these positions who are possessed of the qualifications which are required by the F. B. I.

Mr. SCHWARTZ. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. SCHWARTZ. It is not intended by this bill to exclude the F. B. I. from conducting any investigations they may desire to make in their normal work for the Navy?

Mr. WALSH. Not at all. I now yield the floor.

Mr. JOHNSON of California. Mr. President, it is with a great deal of trepidation that I approach this subject at all, particularly when my friend, the Senator from Massachusetts [Mr. WALSH], has presented the bill. But this bill, if I read it correctly, means providing Frank Knox with a private army. That is all it means. It gives to him the right to select—it does not say the number—any number he desires. It gives to him the right to pay them out of a fund of one and one-half billion dollars—excuse me for saying "billion." I am so used to it now that I constantly make that mistake. [Laughter.] But it gives to Frank Knox one and one-half million dollars with which to provide the expenses of the force that is to be named

*To be passed assistant paymasters*

Leland P. Kimball, Jr.  
Lamar Lee, Jr.

**MARINE CORPS**

*To be a lieutenant colonel*  
William F. Brown

*To be majors*

Peter P. Schrider  
Robert H. Rhoads  
Frank M. June

*To be first lieutenants*

John A. Saxten  
Robert W. Shaw  
Carlo A. Rovetta  
Alfred L. Booth  
Dorrance S. Radcliffe  
Charles M. DeHority  
Howard B. Benge  
William P. Spencer  
Richard B. Church  
Nathan T. Post, Jr.  
Alton D. Gould  
John S. MacLaughlin, Jr.  
Randolph C. Berkeley, Jr.

*To be second lieutenants*

William P. Pala, of Pennsylvania  
Harold R. Thorpe, of California  
Robert A. Churley, of California

**HOUSE OF REPRESENTATIVES**

THURSDAY, JUNE 5, 1941

The House met at 11 o'clock a.m.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Infinite Spirit, life of our life and soul of our soul, persuade us with the profound assurance that the best life is that which is a venture made with Thee. When there goes out of our lives a sense of Thy nearness and awareness, we become inadequate and weak to face the fierce dilemmas of this world. May we lay hold of this truth and hide it away in our hearts, keeping the power of our moral resistance unbroken. O Thou Giver of life, as our lives are so often misused and contradictory, teach us that our love and faith are to be judged by that which we are willing to sacrifice and suffer. Thou in whose all-loving embrace we dwell and in whom all our longings, hopes, and aspirations spring, grant that these sacred moments, at the altar of prayer, may prepare us for our labors with unfaltering faith in an unfailing God. Heavenly Father, we are saddened and touched by the sudden death of a Member, devoted and zealous in the public service. Comfort, we pray Thee, the sorrowing ones and give them peace. "Cold in the dust the perished heart may lie, but that which warmed it once can never die." Blessed truth which bridges the gulf and makes the continuity of life an enduring reality. Through Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

**MESSAGE FROM THE PRESIDENT**

A message in writing from the President of the United States was communicated to the House by Mr. Latta, one of his secretaries, who also informed the House that on June 3, 1941, the Presi-

dent approved and signed bills of the House of the following titles:

H. R. 1684. An act for the relief of Charles E. Allison;

H. R. 1688. An act for the relief of Herman E. Schorr;

H. R. 1771. An act to authorize the Secretary of the Interior to convey certain property to Washington County, Utah, and for other purposes;

H. R. 2426. An act for the relief of H. B. Wilson;

H. R. 2569. An act for the relief of Charles R. Woods;

H. R. 2828. An act to extend the times for commencing and completing the construction of a bridge across the Susquehanna River at or near the city of Millersburg, Pa., and to authorize its construction by the Dauphin County (Pa.) Authority;

H. R. 4073. An act for the relief of Marijo McMillan Williams;

H. R. 4305. An act to authorize the attendance of the Marine Band at the diamond anniversary convention of the Grand Army of the Republic to be held at Columbus, Ohio, September 14 to 19, inclusive, 1941; and

H. R. 4368. An act authorizing a reduction in the course of instruction at the Naval Academy.

**STRIKES**

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent to proceed for 1 minute

The SPEAKER. Is there objection?

There was no objection.

[Mr. VOORHIS of California addressed the House. His remarks appear in the Appendix of the RECORD.]

**EXTENSION OF REMARKS**

Mr. SHEPPARD. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by the insertion of a letter by Ralph S. Ruth, which is self-explanatory.

The SPEAKER. Is there objection?

There was no objection.

**HOUR OF MEETING TOMORROW**

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection?

There was no objection.

**ORDER OF BUSINESS**

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that upon the completion of the consideration of the bill making appropriations for the Department of Labor and Federal Security Agency it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 4816, the so-called petroleum pipe-line bill, that general debate be confined to the bill, and not to exceed 1 hour, to be equally divided between the gentleman from Maryland [Mr. COLE] and the gentleman from New Jersey [Mr. WOLVERTON].

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

**LEAVE TO ADDRESS THE HOUSE**

Mr. WOODRUFF of Michigan. Mr. Speaker, I ask unanimous consent that at the conclusion of the special orders

fixed for today I be permitted to address the House for 10 minutes.

The SPEAKER. Is there objection?

There was no objection.

**EXTENSION OF REMARKS**

Mr. HAINES. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a letter I received from Col. Phillip Matthews, State administrator of the Federal Work Projects Administration.

The SPEAKER. Is there objection?

There was no objection.

**SKILLED LABOR IN INDUSTRY**

Mr. LYNCH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

[Mr. LYNCH addressed the House. His remarks appear in the Appendix of the RECORD.]

Mr. LYNCH. Mr. Speaker, I ask unanimous consent to extend my remarks and include a letter addressed by me to the Mayor of New York and also an editorial from the Home News.

The SPEAKER. Is there objection?

There was no objection.

**AMENDMENT OF SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT**

Mr. SIKES. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (S. 1300) to amend the Soil Conservation and Domestic Allotment Act, as amended, with respect to the making available of conservation materials and soil-conserving or soil-building services.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. HOPE. Mr. Speaker, reserving the right to object—and I shall not object—I think the gentleman from Florida should explain the bill. It is an important bill. I know of no objection to it, but I think the gentleman should take a little time to explain the bill.

Mr. SIKES. I will be very happy to make an explanation.

Four groups are interested in this bill. It is not a major bill, but affected by it to some extent are the farmers, principally of the Northwest, who produce seed for soil-building crops; the farmers of the South and East, who use those seeds and other soil-building materials; the tradesmen who ordinarily distribute those products; and the United States Department of Agriculture, under whose general supervision soil-conserving and soil-building practices are carried on. All of these groups have expressed a favorable interest in the passage of S. 1300.

The title of the bill is not a very good indication of the actual content or purpose of the measure. It is entitled "An act to amend the Soil Conservation and Domestic Allotment Act, as amended, with respect to the making available of conservation materials and soil-conserving or soil-building services."

S. 1300 is intended simply to route the trade in seed and other materials used in the soil-conservation program back through the tradesmen. The bill provides means by which the distribution

of these products may be conducted through established channels of commerce. It will provide farmers who are participating in the agricultural conservation program of the Agricultural Adjustment Administration with credit for the purchase of seeds and other materials necessary for compliance. In my opinion, the measure will aid in the orderly marketing of seeds through established channels of commerce and encourage and increase domestic production of certain products important in the program.

At present these materials are distributed largely through the agencies of the Department of Agriculture. Lacking the legislative authority provided by this bill, great volumes of seed and other soil-building materials of necessity have to be purchased, distributed, and sold by the Agricultural Adjustment Administration in direct competition with established business channels. This diverting of trade from business to Government channels has been caused by the farmers' financial problems, which made it difficult and sometimes impossible for him to obtain money for his purchases, and similarly difficult for tradesmen to finance long-time supply operations. S. 1300 permits, through a simple extension of credit, the means by which private industry can provide the necessary materials used in compliance with the conservation program. It does not place any burden on farmer compliers. In operation, as I understand the proposed program, the farmer will be given orders for the materials he needs in the soil-building program. He may take his order to any merchant who can supply his needs.

May I point out that the bill is not mandatory? It is permissive legislation. It is not in any sense a price-fixing measure, but, on the contrary, it redirects the products named back into the competitive channels of commerce, where service, supply, and demand have free play. Certainly, Government has not shown the ability to function in business channels more economically than business itself. Lower prices—not higher prices—to the farmer should result from its passage.

All in all, the bill has as its primary function the restoration to legitimate businessmen of the trade in this specific field, which now goes through Government channels. It represents a harmonious approach by all interested groups, by which they seek a solution to a stated problem.

I confidently believe S. 1300 is a safe solution.

Mr. MURRAY. Mr. Speaker, will the gentleman yield?

Mr. SIKES. I am happy to yield to my distinguished colleague.

Mr. MURRAY. Really, then, the two things you are accomplishing are, first, you are going to make arrangements so that the Government goes out of business instead of getting into business; you are going to let the fertilizer and seed people handle that end of the business?

Mr. SIKES. The gentleman is correct.

Mr. MURRAY. They can get an advance on their checks, so that they can finance themselves?

Mr. SIKES. The gentleman is correct.

Mr. MURRAY. Then the other part of the legislation, which I do not think was brought out clearly, if the gentleman will pardon my saying that, is that with this legislation the farmers are able to get hold of these fertilizers that are necessary to carry out their soil-building practices, because they can finance themselves in this way, whereas they cannot at the present time, in many instances?

Mr. SIKES. That is true.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

The Clerk read the bill, as follows:

*Be it enacted, etc.*, That subsection (b) of section 8 of the Soil Conservation and Domestic Allotment Act, as amended, is amended by adding at the end thereof the following new paragraph:

"Notwithstanding any other provision of law, in making available conservation materials consisting of seeds, seed inoculants, fertilizers, liming, and other soil-conditioning materials, trees, or plants, or in making available soil-conserving or soil-building services, to agricultural producers under this subsection, the Secretary may make payments, in advance of determination of performance by the producers, to persons who fill purchase orders covering approved conservation materials or covering soil-conserving or soil-building services, furnished to producers at not to exceed a fair price fixed in accordance with regulations to be prescribed by the Secretary, or who render services to the Secretary in delivering to producers approved conservation materials, for the carrying out, by the producers, of soil-building or soil-conserving practices approved by the Secretary."

With the following committee amendment:

On page 1, line 6, strike out the word "and" and insert the word "any."

The committee amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

#### RECONSTRUCTION FINANCE CORPORATION AUTHORITY

Mr. STEAGALL. Mr. Speaker, I call up the conference report on the bill (S. 1438) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, and I ask unanimous consent that the statement may be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

#### CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1438) to extend the operations of the Disaster Loan

Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

"That the Act approved February 11, 1937 (U. S. C., 1934 edition, Supplement V, title 15, section 605k-1), as amended, is hereby amended by striking out "in the years 1936, 1937, 1938, 1939, or 1940" and inserting in lieu thereof "occurring during the period between January 1, 1936, and January 22, 1947".

"Sec. 2. Section 1 of the Act approved March 31, 1936 (49 Stat. 1186), as amended, is hereby amended by striking out "June 30, 1941" and inserting in lieu thereof "January 22, 1947".

"Sec. 3. (a) The first sentence of section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting before the period at the end thereof the following: ", except as provided in section 4 (a) of the Public Debt Act of 1941".

(b) Section 10 of the Reconstruction Finance Corporation Act, as amended, is further amended by adding at the end thereof the following new sentence: "The exemptions provided for in the preceding sentence with respect to taxation (which shall, for all purposes, be deemed to include sales, use, storage, and purchase taxes) shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation under section 5d of this Act, as amended, to aid the Government of the United States in its national-defense program, (2) The RFC Mortgage Company, the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, and (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. Such exemptions shall also be construed to be applicable to the loans made, and personal property owned, by the Reconstruction Finance Corporation or by any corporation referred to in clause (1), (2) or (3) of the preceding sentence, but such exemptions shall not be construed to be applicable in any State to any buildings which are considered by the laws of such State to be personal property for taxation purposes."

"Sec. 4. (a) The fourth paragraph of section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting after subsection (3) thereof the following new subsection:

"(4) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government, for the purpose of achieving the maximum dollar exchange value in the

United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank. Such loans may be made only upon the security of bonds, debentures, stocks or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State."

"(b) The first sentence of subsection (3) of such fourth paragraph is hereby amended to comprise four sentences to read as follows:

"(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or organize, at any time prior to July 1, 1943, a corporation or corporations, with power (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President; (b) to purchase and lease land, purchase, lease, build, and expand plants, and purchase and produce equipment, facilities, machinery, materials, and supplies for the manufacture of strategic and critical materials, arms, ammunition, and implements of war, any other articles, equipment, facilities, and supplies necessary to the national defense, and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith; (c) to lease, sell, or otherwise dispose of such land, plants, facilities, and machinery to others to engage in such manufacture; (d) to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture; (e) to produce, lease, purchase, or otherwise acquire railroad equipment (including rolling stock), and commercial aircraft, and parts, equipment, facilities, and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same; (f) to purchase, lease, build, expand, or otherwise acquire facilities for the training of aviators and to operate or lease, sell, or otherwise dispose of such facilities to others to engage in such training; and (g) to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the aggregate amount of the funds of the Reconstruction Finance Corporation which may be outstanding at any one time for carrying out this clause (g) shall not exceed \$200,000,000: Provided, That nothing in this subsection shall be construed to authorize the Corporation to take any action, directly or indirectly, with respect to the proposals heretofore considered by the Congress and known as the Great Lakes-St. Lawrence seaway, Passamaquoddy, Florida ship canal, and Tombigbee River projects, or to the project known as the Nicaragua Canal. The powers of every corporation hereafter created or organized under this subsection shall be set out in a charter which shall be valid only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published. The charters of corporations heretofore so created or organized shall be so filed and published before July 1, 1941, and amendments thereto shall be valid only when certified copies thereof are hereafter so filed and published. No corporation heretofore or hereafter created or organized by the Corporation pursuant to this subsection shall have succession beyond January 22, 1947, except for purposes of liquidation, unless the life of such corporation is extended beyond such date pursuant to an Act of Congress."

"Sec. 5. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is

authorized to issue and have outstanding at any one time under existing law is hereby increased by \$1,500,000,000"

And the House agree to the same.

HENRY B. STEAGALL,  
CLYDE WILLIAMS,  
BRENT SPENCE,  
JESSE P. WOLCOTT,  
FRED L. CRAWFORD,

*Managers on the part of the House.*

CARTER GLASS,  
PRENTISS M. BROWN,  
ROBERT A. TAFT,

*Managers on the part of the Senate.*

#### STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1438) to extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate bill and the House amendment were substantially the same except in the following respects:

(1) The House amendment contained a provision that the exemptions from taxation applicable to personal property of the Reconstruction Finance Corporation, or of any corporation created or organized by it, should not apply in any State to buildings or structures which by the laws of such State were considered as personal property for taxation purposes. There was no corresponding provision in the Senate bill. The conference agreement retains the House provision except that it is limited to "buildings" instead of "buildings or structures."

(2) Under the Senate bill and the House amendment certain powers of the Reconstruction Finance Corporation in connection with the national-defense program were enumerated. This was followed by a general clause authorizing the Corporation to take such other action as the President and the Federal Loan Administrator might deem necessary to expedite such program. In the Senate bill there was a limitation of \$300,000,000 on the amount that might be outstanding at any one time for carrying out this general clause, and there was also a specific provision prohibiting the Corporation from taking any action, directly or indirectly, with respect to any project which the Congress had considered and rejected since January 1, 1926. The House amendment eliminated this specific provision, but reduced the amount from \$300,000,000 to \$100,000,000 for carrying out such general clause. The conference agreement fixes the amount at \$200,000,000 and adds a proviso which would prohibit the Corporation from taking any action, directly or indirectly, with respect to the Great Lakes-St. Lawrence seaway, Passamaquoddy, Florida Ship Canal, and Tombigbee River projects, or to the project known as the Nicaragua Canal.

The conference agreement makes certain clarifying amendments in the provisions relating to the filing of charters of the corporations created or organized by the Reconstruction Finance Corporation.

HENRY B. STEAGALL,  
CLYDE WILLIAMS,  
BRENT SPENCE,  
JESSE P. WOLCOTT,  
FRED L. CRAWFORD,

*Managers on the part of the House.*

Mr. STEAGALL. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan (Mr. WOLCOTT).

Mr. WOLCOTT. Mr. Speaker, this bill is far from satisfactory from the standpoint of desirable legislation. It still does not remove all of the objectionable features which were called to the attention of the House at the time of the passage of the bill, but I do believe we have placed some restrictions in it with reference to the use of these funds, especially in connection with the projects which I believe should be directly passed upon by the Congress before they are approved.

The bill as it left the House provided for the creation of these corporations without any limitation whatsoever upon their authority so long as the President found that their activity was in connection with the defense program. The Senate previously had provided that none of the moneys made available under the bill would be used to construct any project which had been rejected by the Congress since 1926. The compromise which the conferees agreed upon was to list certain of the projects which could not be constructed by the creation of a corporation and the subscription to the capital of those corporations by the Reconstruction Finance Corporation. There was written into the bill in conference a prohibition against the construction of the Great Lakes-St. Lawrence seaway, the Passamaquoddy project, the Florida ship canal, the Tombigbee River project, all of which have been passed upon at different times by the Congress either in the form of bills or treaties, and we added to that the Nicaragua canal. We did not pass upon the merits of those projects because we felt that if they were to be constructed, the Congress should reserve its jurisdiction to consider the projects before any work was done upon them.

Mr. RANKIN of Mississippi. Mr. Speaker, will the gentleman yield right there?

Mr. WOLCOTT. Yes; I yield to the gentleman.

Mr. RANKIN of Mississippi. This language in the conference report, then, eliminates the charge that the passage of one of these measures, the St. Lawrence seaway or the Tombigbee inland waterway, would require the expenditure of money immediately? In other words, if those measures were passed later, they would be merely authorizations, and additional legislation would have to be passed to provide funds? Is that correct?

Mr. WOLCOTT. The gentleman is correct, according to my understanding, that no action can be taken under the authority contained in this act to start these projects without definite action being taken by the Congress with respect to each of them.

Mr. RANKIN of Mississippi. These projects are all pending, with the exception of the Nicaragua canal, before the Rivers and Harbors Committee, of which I am a member; but the legislation now being considered by that committee merely provides for an authorization. This would answer the charge that if that were passed money would be expended immediately without further consideration of Congress.

Mr. WOLCOTT. Unless the rivers and harbors bill to which the gentleman has referred made a specific reference to this act and amended this act to authorize the use of these funds or to create a corporation under this act, I doubt whether it could be done under the bill referred to. There would have to be a separate appropriation in consequence of the authorization the gentleman's committee might report out.

Mr. STEAGALL. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. STEAGALL. The fact is that the officials of the Reconstruction Finance Corporation, also the Administrator under whose control and administration these corporations will be, stated positively that there was not the slightest thought on their part to expend any of the funds authorized under the general provisions of this bill in any manner toward the development of any of the five projects named—Passamaquoddy, St. Lawrence waterway, the Florida ship canal, the Nicaragua canal, or the Tombigbee River project.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Speaker, I yield 5 additional minutes to the gentleman from Michigan.

Mr. RANKIN of Mississippi. If the gentleman will yield further, this merely states that it does not pass on those projects one way or the other, but merely provides that these funds may not be used for that purpose in the absence of further legislation on that particular point.

Mr. WOLCOTT. That is correct according to my understanding.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. RICH. Who is going to be responsible for the kind of corporation they might set up?

Mr. WOLCOTT. The President and the Federal Loan Administrator. They can set up any kind of corporation they want, to do anything that may enter their heads except construct these projects.

Mr. RICH. Look at the corporations this administration already has set up. I think with the passage of this bill, allowing the setting up of any kind of corporation to do anything, certainly we are fast becoming communistic.

Mr. WOLCOTT. I may say to the gentleman that I made the statement when this bill was being considered in the House that it authorized the President if he saw fit to do so to set up a Fascist state in America; and so far as my understanding of the bill is concerned it has not been changed in any of those particulars. The majority passed upon the bill at that time, however, and the objective of the conferees on the part of the House, as is usual, was to protect the House bill. The bill as it is reported from the conference committee carries limitations that remove some of the objections, but not the principal objection we had at that time.

We on our part have called attention to the fact that it is possible under this bill to destroy the American form of government. This bill must be read in connection with other recommendations of the President in respect to the condemnation of private and real property of whatever nature, tangible, and intangible.

This bill read in the light of those further recommendations must make very plain to the Congress what it is doing by these progressive steps which may result in the destruction of the American form of government. We made our fight on the bill, we made our record. At least 116 of us have declared by our opposition to the bill that we are in favor of the perpetuation of the American form of government. The responsibility is on the majority Members of Congress. They have voted to give the President this power. If their conscience is clear in that respect, I am sure they have done their duty as they saw it, and it is their responsibility, not ours. Those of us who saw fit to protect the American form of government say the bill has been passed by the House, it has been passed by the Senate. It comes back to us for final action, and the only question involved is whether or not we shall accept the amendments agreed upon by the conference committee. I believe the amendments tie up the bill a little tighter than it was when it left the House, especially in respect to these projects which I have named.

Mr. SMITH of Ohio. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. SMITH of Ohio. We have so many bills brought into Congress which aim to do what can be done under this bill, namely, destroy, as the gentleman says, our system of free enterprise. Does it not appear that there is a definite purpose, a definite plan on the part of the powers that be to destroy our system of enterprise and our form of government?

Mr. WOLCOTT. If they ask for this authority, it is, of course, reasonable to presume they are going to make use of it, and might make use of it to the prejudice of the American way of life. It is my understanding they want the power for that purpose. They have been very cagey in telling us what they want to do under the authority delegated to them. Whether they ever use the power or not, it seems to me not in keeping with at least my interpretation of the American form of government to delegate this power to any individual, whether he ever uses it or not.

Mr. RICH. Mr. Speaker, will the gentleman yield further?

Mr. WOLCOTT. I yield.

Mr. RICH. Instead of granting this blanket power if the President or anybody else wanted certain legislation passed and came to Congress and made specific the thing they wanted to do, then the Members of Congress would assume the responsibility of giving that particular authority to the President or whomsoever he might designate; but to pass a bill such as this giving blanket authority

and delegating away all the power the Congress should exercise is entirely wrong.

Mr. WOLCOTT. That argument was well applied to the passage of the bill when it was before the House last week, and that is what we tried to impress upon the Members of the House, namely, the dangers of this bill as it passed the House. They have not been removed. However, the House has passed on that, and it is not before the House at this time. The question is whether these amendments shall be voted up or down.

I believe the conference report should be adopted because it at least limits the authority contained in the bill as it passed the House the other day. The only other point that might be of interest is that we make available \$200,000,000 for the capital of these corporations established under subsection (g) instead of the \$100,000,000 voted by the House. This amount is a compromise between the \$300,000,000 voted by the Senate and the \$100,000,000 voted by the House. As we know, all legislation is the result of compromise. Personally I will not object to it, although I think \$200,000,000 is too much to finance this authority.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Speaker, it is not necessary to discuss the provisions of this bill. The debate in the House when the bill was under consideration covered the substance of the bill. There are specific authorizations enumerated in the bill, providing for various activities that may be undertaken in aiding the program on national defense. The bill, as passed by the Senate, provides a general authorization under which \$300,000,000 would be available for use. The House reduced this to \$100,000,000. The conferees agreed upon \$200,000,000. The conference agreement adds a proviso which would prohibit the Corporation from taking any action, directly or indirectly, with respect to the Great Lakes-St. Lawrence seaway, Passamaquoddy, Florida ship canal, and Tombigbee projects, or to the project known as the Nicaragua canal. There is no substantial change in the bill as passed by the House except in these two instances. The minority members of the conference were heartily in accord with the changes that were made.

Mr. RICH. Will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman from Pennsylvania.

Mr. RICH. When you give this \$200,000,000 in the conference report for the purpose of setting up corporations, then when we will have a tax bill coming in here very shortly which is going to tax the corporations of this country almost to the death, and we set up corporations in competition with them, how are they going to survive, and again, where are you going get the \$200,000,000 to put up for these fellows to pay for their own death knell? It seems to me that this is as inconsistent as any legislation that has ever come before Congress.

Mr. STEAGALL. We are going to use this money entirely for defense purposes to supplement the service that can be

rendered by existing private institutions. The money is going to be raised by expanding the borrowing powers of the Reconstruction Finance Corporation, an agency of the Government which was established under the administration of President Hoover.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

#### MILITARY ESTABLISHMENT APPROPRIATION BILL—1942

Mr. SNYDER, from the Committee on Appropriations, reported the bill (H. R. 4965) making appropriations for the Military Establishment for the fiscal year ending June 30, 1942, and for other purposes (Rept. No. 741), which was read a first and second time and, with the accompanying report, referred to the Committee of the Whole House and ordered to be printed.

Mr. POWERS reserved all points of order.

#### EXTENSION OF REMARKS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD concerning the junior Senator from Texas, the Honorable ANDREW JACKSON HOUSTON, and to insert in connection therewith his biography in the CONGRESSIONAL RECORD, and also the speech of Gov. W. Lee O'Daniel when Senator Houston was appointed.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. PATMAN]?

There was no objection.

#### DEPARTMENT OF STATE, DEPARTMENT OF COMMERCE, DEPARTMENT OF JUSTICE, AND FEDERAL JUDICIARY APPROPRIATION BILL—1942

Mr. RABAUT. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 4276) making appropriations for the Department of State, the Department of Commerce, the Department of Justice, and the Federal judiciary for the fiscal year ending June 30, 1942, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. RABAUT]?

Mr. JONES. Mr. Speaker, reserving the right to object, in reference to Senate amendment No. 42, known as the Jones amendment, will the gentleman advise us if the conferees on the part of the House will not agree to this being eliminated until the matter is brought back to the House for a separate vote?

Mr. RABAUT. I assure the gentleman I will not agree to that until it is brought back to the House for further consideration.

Mr. JONES. Will the other conferees agree to that, also?

Mr. RABAUT. Mr. Speaker, in this connection, may I say that on April 4,

1941, because of this amendment offered by the gentleman from Ohio [Mr. JONES] that was passed by the House, I addressed my colleague the gentleman from Texas [Mr. DIES] as follows, and, as I stated, this letter is dated April 4:

APRIL 4, 1941.

Hon. MARTIN DIES,  
Member of Congress,  
Washington, D. C.

MY DEAR COLLEAGUE: Yesterday the House, while making appropriations for the Departments of State, Commerce, Justice, and the Judiciary for the fiscal year 1942, inserted an amendment in the bill the effect of which is to make available \$100,000 of the funds appropriated to the Federal Bureau of Investigation "exclusively to investigate the employees of every department, agency, and independent establishment of the Federal Government, who are members of subversive organizations or advocate the overthrow of the Federal Government, and report its findings to Congress."

It has come to my attention that the Director of the Federal Bureau of Investigation has not the list of Government employees compiled by your Special Committee to Investigate Un-American Activities who are members of subversive organizations or who advocate the overthrow of the Federal Government.

May I respectfully request, therefore, in order that the Federal Bureau of Investigation may be properly informed of the findings of your committee in the matter of these individuals, that your committee make available to the Federal Bureau of Investigation the list to which reference is made?

Cordially yours,  
LOUIS C. RABAUT,  
Chairman, Subcommittee on Appropriations for State, Commerce, Justice, and the Judiciary.

Under date of April 7 I received the following reply:

This will acknowledge receipt of your letter of April 4, 1941, addressed to Congressman Dies.

Please be advised that Mr. DIES is out of town at the present time. However, I shall be glad to bring your letter to his attention upon his return to the city.

Sincerely yours,  
ROBERT E. STRIPLING,  
Secretary.

A telephone call today to the Federal Bureau of Investigation, made as late as an hour ago, revealed that up to the present time the F. B. I. has not received the list to which reference was made in the letter.

The SPEAKER. Is there objection to the request of the gentleman from Michigan? [After a pause.] The Chair hears none, and appoints the following conferees: MESSRS. RABAUT, KERR, HARE, HOUSTON, BEAM, HARRINGTON, CARTER, STEFAN, and JONES.

#### EXTENSION OF REMARKS

Mr. MUNDT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and include therein certain newspaper comments and a resolution I am introducing in the House today.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

#### UNIFIED AIR DEFENSE

Mr. MUNDT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

[Mr. MUNDT addressed the House. His remarks appear in the Appendix of the RECORD.]

#### EXTENSION OF REMARKS

Mr. OSMERS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial appearing in the Washington News of June 4 on the subject of a separate air force.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. OSMERS. Mr. Speaker, I further ask unanimous consent to extend my own remarks in the RECORD and include therein an address delivered by the Honorable Charles C. Littlefield, mayor of Haworth, N. J.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

#### THE KINGSBURY ORDNANCE PLANT

Mr. SCHULTE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

[Mr. SCHULTE addressed the House. His remarks appear in the Appendix of the RECORD.]

Mr. SCHULTE. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the RECORD and include therein a letter I have received.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

#### EXTENSION OF REMARKS

Mr. THOM. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an address delivered by me.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

(Mr. LAMBERTSON and Mr. CRAWFORD asked and were given permission to extend their own remarks in the RECORD.)

#### LABOR AND THE NATIONAL DEFENSE

Mr. LAMBERTSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. LAMBERTSON. Mr. Speaker, with the reporting of the \$10,000,000,000 Army supply bill for next year, we are going to take up on the floor of the House

the big question before the country, the labor question. Twenty thousand loggers are striking today in Washington State. There are strikes all over this country. There is the feeling everywhere that the President is not going to do anything about them, and I say there is a feeling that the majority Members of this House are not going to do anything about the Vinson bill or any bill to curb strikes. While I am not in sympathy with the foreign policy of the administration, I am for unity for defense. I feel unless there is a change that this Nation is due to whip itself before it starts to whip anybody else. [Applause.]

[Here the gavel fell.]

#### DEFENSE-BOND PROGRAM

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. CRAWFORD. Mr. Speaker, I am informed by the Treasury Department that in the first 24 days of May there were sold \$347,861,000 worth of the so-called defense baby bonds, savings certificates, and so forth, and that the Secretary of the Treasury will take the air tonight to explain what has happened in this program during the first month, beginning May 1. I suggest that all Members of the House listen to this broadcast tonight and then study, in connection therewith, the statements of the Secretary of the Treasury of January 29, 1941, and of April 24; also the statements of Mr. Bell, of the Treasury Department, of May 7; of Mr. Graves, of the Treasury Department, of May 5; of Mr. Eccles, of the Board of Governors of the Federal Reserve System, of May 1; and a release issued by the Department of Commerce under date of March 26.

In my opinion, these sales are not running 25 percent as much as the program will eventually call for, and I believe this is something for the country to be concerned about. [Applause.]

[Here the gavel fell.]

#### PERMISSION TO ADDRESS THE HOUSE

Mr. HALLECK. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

[Mr. HALLECK addressed the House. His remarks appear in the Appendix of the RECORD.]

Mr. LELAND M. FORD. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to revise and extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

[Mr. LELAND M. FORD addressed the House. His remarks appear in the Appendix of the RECORD.]

#### EXTENSION OF REMARKS

Mr. HOUSTON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a statement on the N. Y. A. activities in Kansas.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. SATTERFIELD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include a letter to the President of the United States and an editorial from the Evening Star.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. FOGARTY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a letter from the president of the Bricklayers, Masons and Plasterers International Union on defense and strikes in defense industries.

The SPEAKER. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

Mr. ROLPH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial on inflation by Chester Rowell, appearing in the San Francisco Chronicle of May 31, 1941.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

#### PERMISSION TO ADDRESS THE HOUSE

Mr. RICH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. RICH. Mr. Speaker, we hear every day something about the strikes that are going on against national defense. We hear about the Department of Labor and Madam Perkins doing nothing about them. We have a Committee on Labor in the House that does nothing. The President has the power to do something, but he also does nothing, and the Congress sits here on a sit-down strike and does nothing. It seems to me we will find ourselves in the same position that France found herself in when we need national defense to protect ourselves against all enemies. I implore the majority side of the House to do something, and to do it now before it is too late. [Applause.]

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to revise and extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HOFFMAN. Mr. Speaker, our people are not afraid of Hitler or anything he can do, but they are afraid,

if my mail is any indication, of what may happen here in our own country.

They are afraid of the abdication of Congress and of the usurpation of power by the Supreme Court and of our failure to curb subversive groups. Your attention has been called this morning to these strikes which prevail throughout the country, but the people no longer are finding fault with the President or the administration. They do not hope for anything from the administration. They are looking to the Congress. My mail, let me repeat, indicates it is about time that Congress does something. You may say we talk about it, but we do nothing.

This morning I introduced a bill amending the N. L. R. B. Act and by that amendment I provide that any organization which fails to comply with the directions or the requests of the President's Mediation Board be deprived of the benefits extended by that act. This does not prohibit strikes, it does not prohibit a man quitting his job, but it does provide that if a man refuses to go along or an organization refuses to go along with this national-defense program for which we have appropriated so many billions of dollars, then that man, that organization, shall lose the benefits which we have given him through the N. L. R. A. Now, why not pass it? [Applause.]

#### THE GREAT BASEBALL GAME

Mr. FISH. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. FISH. Mr. Speaker, I take this time to make the announcement that Mr. B. M. Baruch, one of our outstanding citizens, former head of the War Industries Board, and now contributing his time and great experience to promoting our defense, has contributed \$100 for tickets for the House employees, and for the page boys of the House and the Senate, to attend the great baseball game on Saturday next. If any of the employees want tickets, they should come to my office.

#### THE ST. LAWRENCE WATERWAYS PROJECT (H. DOC. NO. 245)

The SPEAKER laid before the House the following message from the President of the United States, which was read, and, with the accompanying papers, referred to the Committee on Rivers and Harbors, and ordered to be printed:

*To the Congress of the United States:*

I recommend authorization of construction of the St. Lawrence seaway and power project, pursuant to the agreement of March 19, 1941, with Canada, as an integral part of the joint defense of the North American Continent.

Production and more production is the keynote of our all-out race for national defense. Electric power and transportation are limiting factors in the production of planes, guns, tanks, and ships.

The enemies of democracy are developing every hydroelectric resource and every waterway from Norway to the Dardanelles. Are we to allow this continent to be outmatched because short-sighted interests oppose the development of one of our greatest resources?





[PUBLIC LAW 108—77TH CONGRESS]

[CHAPTER 190—1ST SESSION]

[S. 1438]

AN ACT

To extend the operations of the Disaster Loan Corporation and the Electric Home and Farm Authority, to provide for increasing the lending authority of the Reconstruction Finance Corporation, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Act approved February 11, 1937 (U. S. C., 1934 edition, Supplement V, title 15, sec. 605k-1), as amended, is hereby amended by striking out “in the years 1936, 1937, 1938, 1939, or 1940” and inserting in lieu thereof “occurring during the period between January 1, 1936, and January 22, 1947”.

SEC. 2. Section 1 of the Act approved March 31, 1936 (49 Stat. 1186), as amended, is hereby amended by striking out “June 30, 1941” and inserting in lieu thereof “January 22, 1947”.

SEC. 3. (a) The first sentence of section 10 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting before the period at the end thereof the following: “, except as provided in section 4 (a) of the Public Debt Act of 1941”.

(b) Section 10 of the Reconstruction Finance Corporation Act, as amended, is further amended by adding at the end thereof the following new sentences: “The exemptions provided for in the preceding sentence with respect to taxation (which shall, for all purposes, be deemed to include sales, use, storage, and purchase taxes) shall be construed to be applicable not only with respect to the Reconstruction Finance Corporation but also with respect to (1) the Defense Plant Corporation, the Defense Supplies Corporation, the Metals Reserve Company, the Rubber Reserve Company, and any other corporation heretofore or hereafter organized or created by the Reconstruction Finance Corporation under section 5d of this Act, as amended, to aid the Government of the United States in its national-defense program, (2) The RFC Mortgage Company, the Federal National Mortgage Association, and any other public corporation heretofore or hereafter organized by or at the instance of the Reconstruction Finance Corporation, and (3) the Disaster Loan Corporation, and any other public corporation which is now or which may be hereafter wholly financed and wholly managed by the Reconstruction Finance Corporation. Such exemptions shall also be construed to be applicable to the loans made, and personal property owned, by the Reconstruction Finance Corporation or by any corporation referred to in clause (1), (2) or (3) of the preceding sentence, but such exemptions shall not be construed to be applicable in any State to any buildings which are considered by the laws of such State to be personal property for taxation purposes.”

SEC. 4. (a) The fourth paragraph of section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting after subsection (3) thereof the following new subsection:

"(4) When requested by the Federal Loan Administrator, with the approval of the President, and subject to such conditions and limitations as may be set forth in such request, to make loans, notwithstanding the provisions of any other law, to any foreign governments, to their central banks, or to any person, commission, association, corporation, or bank acting for or on behalf of such government, for the purpose of achieving the maximum dollar exchange value in the United States for the securities or property of any such government, central bank, person, commission, association, corporation, or bank. Such loans may be made only upon the security of bonds, debentures, stocks, or other such obligations of (a) the Government of the United States or any State, municipality, or political subdivision of any State, or (b) any private corporation organized under the laws of the United States or any State."

(b) The first sentence of subsection (3) of such fourth paragraph is hereby amended to comprise four sentences to read as follows:

"(3) When requested by the Federal Loan Administrator, with the approval of the President, to create or organize, at any time prior to July 1, 1943, a corporation or corporations, with power (a) to produce, acquire, carry, sell, or otherwise deal in strategic and critical materials as defined by the President; (b) to purchase and lease land, purchase, lease, build, and expand plants, and purchase and produce equipment, facilities, machinery, materials, and supplies for the manufacture of strategic and critical materials, arms, ammunition, and implements of war, any other articles, equipment, facilities, and supplies necessary to the national defense, and such other articles, equipment, supplies, and materials as may be required in the manufacture or use of any of the foregoing or otherwise necessary in connection therewith; (c) to lease, sell, or otherwise dispose of such land, plants, facilities, and machinery to others to engage in such manufacture; (d) to engage in such manufacture itself, if the President finds that it is necessary for a Government agency to engage in such manufacture; (e) to produce, lease, purchase, or otherwise acquire railroad equipment (including rolling stock), and commercial aircraft, and parts, equipment, facilities, and supplies necessary in connection with such railroad equipment and aircraft, and to lease, sell, or otherwise dispose of the same; (f) to purchase, lease, build, expand, or otherwise acquire facilities for the training of aviators and to operate or lease, sell, or otherwise dispose of such facilities to others to engage in such training; and (g) to take such other action as the President and the Federal Loan Administrator may deem necessary to expedite the national-defense program, but the aggregate amount of the funds of the Reconstruction Finance Corporation which may be outstanding at any one time for carrying out this clause (g) shall not exceed \$200,000,000: *Provided*, That nothing in this subsection shall be construed to authorize the Corporation to take any

action, directly or indirectly, with respect to the proposals heretofore considered by the Congress and known as the Great Lakes-St. Lawrence seaway, Passamaquoddy, Florida ship canal, and Tombigbee River projects, or to the project known as the Nicaragua Canal. The powers of every corporation hereafter created or organized under this subsection shall be set out in a charter which shall be valid only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published. The charters of corporations heretofore so created or organized shall be so filed and published before July 1, 1941, and amendments thereto shall be valid only when certified copies thereof are hereafter so filed and published. No corporation heretofore or hereafter created or organized by the Corporation pursuant to this subsection shall have succession beyond January 22, 1947, except for purposes of liquidation, unless the life of such corporation is extended beyond such date pursuant to an Act of Congress."

SEC. 5. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased by \$1,500,000,000.

Approved, June 10, 1941.

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